

The Cause and Effect of Vietnam's Whirlwind Economic Transition into the 21<sup>st</sup> Century

Honors Research Thesis

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by

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## INTRODUCTION

Vietnam's economy has been exponentially on the rise for the last few decades. Since the end of the Vietnam War, the country has set its sights on lifting itself out of destitution, and reconstructing a stable new environment, both economically and politically. Over the past twenty years, Vietnam's growing economy has catapulted the nation into the 21<sup>st</sup> century, bringing with it immense prosperity, the likes of which most Vietnamese people never deemed possible. Vietnam's current economic situation is especially interesting to look into because its success came about so unexpectedly.

Just a few decades ago, Vietnam was ravaged by war. The country was divided politically; people could barely feed their families. Astonishingly, Vietnam not only survived this depressed period, it managed to spring from rock bottom to its current situation as a burgeoning Southeast Asian economy. Vietnam's economic journey has been a truly incredible one.

Vietnam has made numerous strides toward development, ranging from political and economic government policies enacted in response to increased privatization and entrepreneurship, to agricultural and environmental implementations that specifically benefit the Vietnamese population. With its increasing economic power comes an entirely new set of challenges. The point of this research paper is to investigate the cause of Vietnam's current economic success, and evaluate the positive and negative implications this success has on the country's economic welfare, and the Vietnamese citizens' qualities of life. To facilitate this examination, the thesis is broken down into two main parts. The first section evaluates Vietnam's economic success, and provides a description and explanation of this success. The second half explores the consequences and negative side effects of the country's economic

success, including how these effects do and do not impact the Communist political system and how the government might change its policies and structures to better respond to these issues. Beneficial policies and programs are distinguished from detrimental ones, in the hopes that by making these distinctions, one can realize the reach and impact of Vietnam's economic growth, and finally see how much the Vietnamese people have gained because of the country's reform, as well as how far it has the potential to go.

## **CAUSES OF VIETNAM'S ECONOMIC SUCCESS**

### **GENERAL COUNTRY STATISTICS**

Vietnam is a developing country that is currently undergoing rapid change and growth in the world economy. To put Vietnam into geographic perspective, it is located in Southeast Asia and shares an eastern border with Cambodia and Laos and a northern border with China; to the west lie the Gulf of Tonkin and the South China Sea. In total, Vietnam spans approximately 329,560 square kilometers, 325,360 square kilometers of which are land and 4,200 square kilometers of water; it also extends 1,650 km north to south, but is only 50 km across at its narrowest point (CIA World Factbook). The terrain of Vietnam is comprised of low, flat deltas in the south and north, central highlands, and mountainous areas in the far north and northwestern parts of the country. Finally, Vietnam's climate consists of tropical weather in the south, and a monsoonal climate in the north. The monsoonal weather in the north includes a hot, rainy season from May to September, and a warm dry period from October to March (CIA World Factbook) Vietnam has 19.97% arable land, 5.95% permanent crops, and as of 1998, 30,000 square kilometers of irrigated land (CIA World Factbook). The country experiences the occasional typhoon and extensive flooding, usually from the Mekong River delta region. For all these reasons, Vietnam is able to sustain significant agricultural output.

## ECONOMIC HISTORY

The period of economic change that is most important in this investigation begins in the early 1950s. Since 1954, following the end of anti-French resistance in the then so-called Democratic Republic of Vietnam (DRV), the DRV began constructing a program centered on economic development. From this time onward, two time periods, involving two basic economic systems, were forged. In the first period, which includes approximately two decades from the late 1950s until the late 1970s, the Communist Party strove to establish a centrally planned, socialist economy that was based on the Soviet Union's economic model from the 1930s.

The second major phase of economic development began after the reunification of northern and southern Vietnam, and after the formation of the Socialist Republic of Vietnam (SRV) in 1976. During this time, a transformation was set in motion that would ultimately lead to the country's abandonment of a centrally planned economy, and lead to the adoption of a "socialist market-oriented economy under state guidance" (Beresford and Phong, 3).

Between the 1950s and 1970s, the South did not accept the planned and collectivized economy advocated by the Communist North. This Southern Vietnamese population had been raised with market economy activities since the early 20<sup>th</sup> century, and had come to enjoy the benefits of this kind of system. Peasants refused to enter into this centralized economy, and as a result, collectivization did not last long in the region.

During the 1976 period onward, the quantity of foreign assistance in Vietnam and its structure started changing. These changes, in a way, compelled Vietnam to begin adopting the structural and institutional change that has come to characterize the nation. Though external factors played a large role in these changes, it has been argued that it was the operation of the new planning system, (some argue in the context of the country's reunification) which was the

main cause of Vietnam's economic transition. The small, weak centrally planned economy could no longer accommodate Vietnam's needs and desires.

After decades of war and misguided development strategies, foreign financial assistance was really the only way Vietnam could be sustained economically. From the late 1970s to the late 1980s, the Soviet Union gave the most aid to Vietnam, which came in the form of price subsidies, project assistance, trade credits, and loans, (Beresford and Phong, 12, 16). The country was far from self-sustaining, and during this period when Vietnam was balancing on the crutches of foreign aid, a so-called 'outside economy' developed whereby individuals, local authorities, state enterprises, and at times central ministries became involved in barter or market transactions as a means by which to overcome the drastic imbalance that the planned sector incurred. The interplay between these "fence-breaking" activities (fence-breaking because individuals or parties worked outside the centrally planned model), changing external environment and political pressures that grew from the condemnation of the planned model, all segued into gradual reform policies known as "Doi Moi," or renovation, policy reforms (Glewwe, 2). At this point the country was poised and ready to adopt a market-based growth strategy of development (Beresford and Phong, 4).

In the 1990s, the structure and mode of operation of Vietnam's foreign trade system changed radically. Whereas in the 1970s and 1980s aid-financed imports were being centrally allocated based on the government's development plan and primarily came from the Soviet Union, in the 1990s the government promoted the flow of trade and capital by market forces, and most of the aid that Vietnam received came from Japan, the World Bank, and the Asian Development Bank (Billington, 11-12). What is more, the transition to a market economy marked an end to 'trade as aid,' allowing for real, global trade relations to begin. From this time

onward, a marked shift also occurred in the kinds of goods being traded and produced; Vietnam began importing consumer goods at a much higher rate. Regarding investment, on the other hand, the country continues to rely heavily on external sources like official development aid (ODA) and foreign direct investment (FDI). Just as they had turned to the Soviet Union's economic model in times past, Vietnam established the Council for Mutual Economic Assistance (CMEA), which was designed to promote central planning on an international level, and the international Donor Group, which also helped promote integration into the capitalist global economy (Beresford and Phong, 4). The timeline in Figure 1 presents some of Vietnam's most important moments of economic history at a glance (Figure 1).

Regarding their more recent involvement in the global market, Vietnam can be more recently noted for joining ASEAN, the Association of Southeast Asian Nations (<http://www.aseansec.org/64.htm>). In 1995, Vietnam joined the association, making it the seventh of ten member states to join the organization. The benefits of Vietnam's participation in ASEAN shall be addressed in greater depth at a later point.

## DESCRIPTION OF VIETNAM'S ECONOMIC SUCCESSES

Vietnam's economic success can be thought of in two distinct ways: (1.) success in growth as a whole and (2.) success in the distribution of the benefits of that growth, namely that the rich are not the only ones getting richer; nearly every social stratum is becoming better off financially.

With regard to Vietnam's economic growth as a whole, billions of dollars in manufactured goods like garments, footwear, and electronics are exported annually. As the leading global exporter of rice and coffee, and being a country rich in phosphates, coal, bauxite, chromate, offshore oil and gas deposits, timber, and hydropower, Vietnam's economic growth

has led more than a third of the Vietnamese people out of poverty in the past fifteen years (CIA World Factbook). In light of this growth, upper middle class urban households can afford to own cars instead of bicycles. While owning a vehicle is exciting prospect for these families, the dramatic increase in car usage is beginning to take an environmental toll ([http://www.economist.com/displayStory.cfm?Story\\_ID=E1\\_TPVNSJGJ](http://www.economist.com/displayStory.cfm?Story_ID=E1_TPVNSJGJ)).

Because of its shift to a more open system that favors foreign investment, Vietnam exhibits a GDP real growth rate from 2009 to 2010 of 6.8% and a per capita GDP of \$3,100; the GDP growth rate appears to be increasing by approximately 1% each year (CIA Factbook). Figure 2 places the GDP growth into perspective by tracking GDP changes from 1990 until 2009 (Figure 2). In 1990, the GDP real growth rate was 5.0%, and from 1990 to 2009 the lowest the GDP growth rate ever fell was to 4.8%; this small decrease of .2% reflects the stability of the GDP growth rate in Vietnam, and also only occurred once during these two decades. Also, the graph shows dramatic increases at many points, as evidenced by the 1996 GDP real growth rate of 9.5%. On average, from 1990 to 2009 Vietnam exhibited a GDP growth rate of 7.325%.

The country's GDP composition by sector is 20.6% in agriculture, 41.1% in industry, and 38.3% in services, demonstrating the high importance of Vietnam's agricultural and industrial sectors (CIA Factbook). As Vietnam becomes more economically prosperous, the percentage of income spent on food decreases, which means that more funds can be used to purchase luxury items. Also, Vietnam's income elasticity of demand is greater than one, indicating that the change in food demand is related to another kind of luxury item, namely meat. So, as incomes grow, Vietnam's income elasticity is in turn affected. The implications of Vietnam's economic success on food and agriculture shall be addressed later, as will the effects of the transformation of the agricultural and industrial sectors due to increased privatization. For now, attention will

be turned to privatization and a similar area that has also felt the benefits of economic prosperity and reform: the entrepreneurial sector.

The growth rate of the gross output in Vietnam has increased substantially. As Figure 3 shows, the total gross output from both the state and non-state sectors rose by roughly 8.1% each year from 1990 to 1995. The non-state sector grew by 6.1% during this period, and the gross output of the state sector nearly doubled (Figure 3). Figure 4 conveys the development of private companies in Vietnam from 1993 to 1996. The number of private companies, private firms, limited liability companies, and joint-stock companies from 1991 to 1996 increased to an extraordinary degree during this time (Figure 4). According to Figure 5, the number of employees in the private sector is growing dramatically. As the table shows, from 1991 to 1994, the total number of private companies jumped from 10,683 to 299,540. Once again, Vietnam exhibits incredible economic growth in only a few years (Figure 5). Finally, Figure 6 shows the increase in Vietnam's exports and imports because of its involvement with ASEAN (Figure 6).

Regarding Vietnam's distributional economic success, while in some respects the divide between rich and poor is growing, the country's poorer citizens are still experiencing greater financial stability than they have for a long time. The greatest evidence of the Vietnamese people's overall increase in financial welfare comes from their diet changes. As people earn more money, they can afford to eat more expensive food. So, in the past most Vietnamese subsisted on a diet of mostly rice and some vegetables. Now, meat is being consumed to a much higher degree, and ever more vegetables are being cultivated to meet rising demands. Also, most Vietnamese people own a television set, which means most people can afford to spend some of their money on luxury items.

## EXPLANATION OF VIETNAM'S ECONOMIC SUCCESS



There are also two related and overarching explanations for Vietnam's success. The first involves the "fence breaking" behavior exhibited by the Vietnamese, and the establishment of privatization and an entrepreneurial sector. The second reason relates to the reaction of government officials to country's economic success; their responses represent an important departure from the officials of similar Communist countries. Also, a third, more speculative explanation of Vietnam's economic success has to do with the government officials' fearlessness of the potential political strength that could grow from the entrepreneurial sector.

#### *FENCE BREAKING, PRIVATIZATION, AND ENTREPRENEURSHIP*

Many aspects of Vietnamese life represent extensions of the broader Chinese culture. Paying particular attention to the countries' more recent economic policies, one can see the incredible influence of China's rising entrepreneurial sector on Vietnam. Once again, the changing economic tide of both China and Vietnam has opened up these countries' doors to the world market, allowing citizens to forge more financially secure lives for themselves. In Thomas Heberer's Private Entrepreneurs in China and Vietnam: Social and Political Functioning of Strategic Groups, the author examines entrepreneurship and social change in China and Vietnam. In the book, Heberer delves into the issue of privatization, and designates it as a "precondition" for the growing number of entrepreneurs in these countries (Heberer, 11). He also refers to the precursor to privatization, called "fence breaking," whereby many Vietnamese refused to uphold the government's socialist economic policies; the people grew tired of following ineffective economic policies, so they took matters into their own hands. From "fence breaking" privatization was born, which thusly became the proximate cause of Vietnam's economic success.

Heberer also makes it clear that unlike most countries that undergo significant political change, like those in Eastern Europe, political and systematic overhauls did not mark the advent of the change process in China and Vietnam. Instead, successful economic reforms sparked quick change from the ground up, subsequently leading to gradual social and political change. Privatization, the formation of new societal elites, and the genesis of ‘entrepreneurial strata’ mark the effects of these countries’ economic transitions (Heberer, 1). The ‘bottom up’ privatization process led to the formation of an entrepreneurial sector that has since become one of the most visible embodiments of development and modernization (Heberer, 1).

### **Privatization**

Privatization in China and Vietnam began in response to rural poverty. Beginning in the 1970s, a so-called “shadow economy” developed in predominantly poverty-stricken regions (Heberer, 11). Out of this destitution, markets were born that at the time were thought of as illegal. During the period of economic crisis in the latter half of the 1970s, private industry and commerce helped alleviate rural poverty, and from this private industry success, a small-scale private sector, comprised of a number of individual businesses, emerged (Heberer, 12). Figure 7 demonstrates the chain of events that led to the development of a private sector in China. Because Vietnam’s road to privatization was near identical, the chart can be used to exemplify the growth of both the Chinese and Vietnamese private sectors (Figure 7). Thus, reform in Vietnam was born by peasants’ refusal to uphold the collective economy, and instead return to family-run business ownership.

After a few years of watching the poor sector take less heed of government regulations, authorities legalized the peasants’ de-collectivization practices (Heberer, 13). The success of the peasants’ “fence-breaking” in solving shortages in supply and creating jobs led to even more

support for de-collectivization; the authorities saw the prosperity that came from these practices, and they wanted to enable the entire country to profit from it. However, this so-called reformation was neither goal-directed nor planned, occurring predominantly from the everyday crises of the poor population. Come the latter half of the 1980s, in Northern Vietnam, the state no longer had the resources to pay most provincial workers for their labor. Thus, the need to provide for oneself and one's family led workers and farmers to begin work as artisans and traders. Small firms grew out of this transition, and they gradually took on employees. In 1988, party leadership officially allowed for the return of family businesses, signaling the return of the oldest form of entrepreneurship (Heberer, 17).

In 1991, the 7<sup>th</sup> Party Congress of the CPV (Communist Party of Vietnam) asserted that the management aspect of the private economic sector could develop virtually without limitation. Another law came into effect in the same year, creating for the first time a legal basis for the private sector, beyond the sectors that were limited to privatized family ownership. Unrestricted employment of staff was allowed, so long as certain pay standards were met. These laws were further elucidated upon in Articles 15, 16, and 21 of the 1992 constitution. Finally, a multi-sectoral economy, private and individual businesses, as well as private capitalist and state-capitalist sectors were recognized. Figure 8 shows the distribution of Vietnam's economic sectors, including the broadest state and private realms (Figure 8). Figure 3 tracks the extensive growth incurred by the state and non-state sectors (Figure 3). Figure 4 presents the dramatic increase in privately owned businesses from 1991 to 1996 (Figure 4). Finally, Figure 5 shows the number of workers in the private sector (Figure 5). Once again, from 1991 to 1996 the increase in this area is extremely high. During this period of time in the early 1990s, legal business ownership became protected under the law, at least in so far as that ownership was not

needed for national interests. If such a case arose, protection would not be guaranteed (Heberer, 30-31).

### **Entrepreneurial Sector**

The formation of new societal elites and the establishment of an entrepreneurial sector reflect both China and Vietnam's economic transitions. The status of these entrepreneurial elites can be determined, according to Heberer, by the following series of parameters: (1.) A significant percent of the population views these individuals as having leading socio-economic roles (2.) They help construct the norms and values of their societies because of their position as economic and social role models (3.) They foster economic, political, and social change through their work (4.) They initiate change in the basic conditions of their countries social systems (5.) They perceive themselves as an economic elite with the duty to uphold their social role model positions (Heberer, 1-2).

This entrepreneurial stratum should not be misconstrued as a "power" or "political" elite, but instead can be viewed as a non-ruling, functional, achievement, potential, and partial elite, carrying with it the burden of invoking social change. First, these entrepreneurs act as a functional elite because of their role in the functioning and change of society. Next, they can be conceived as an achievement elite because of both their professional and social achievements, and their business achievements that contribute to economic development. Third, they are a potential elite because their achievements are still in an early stage. Finally, they are a partial elite because they represent but one facet of a rapidly changing economy that includes other up-and-coming economic players, like collective companies, for instance (Heberer, 2).

### **Perception of entrepreneurship**

An area that is particularly reflective of the social impact of the entrepreneurial sector is the self-perception of the younger Chinese and Vietnamese populations. This generation deserves careful attention because it embodies these countries' futures. For example, a survey conducted among high school students in the 1990s showed that approximately 50% thought it was appropriate to put their own interests above those of the community, and 60% noted that "the shaping of their future depended on their own efforts" (Heberer, 6). These students' perceptions reflect a marked shift from a traditionally collectivist view, to a much more individualistic way of thinking. Entrepreneurship has most definitely led such views to become more acceptable and commonplace.

Ultimately, the private sectors in China and Vietnam incur the greatest amount of growth at the fastest rate, while also acting as the most important sources of employment in these countries. However, whereas in China most of the country's citizens currently look favorably upon entrepreneurship, in Vietnam private entrepreneurs are not always looked upon so favorably. In Vietnam, the private sector is officially referred to as the "private-capitalist sector" and private entrepreneurs are called "private capitalists" (Heberer, 58). On one view, the government officials worried that these individuals would become more economically motivated in their beliefs, eventually demanding a political voice for their capitalist ideology. In light of this worry, private entrepreneurs were declared to be anti-socialist which led to surveillance, political control, mistrust, and the opportunity for authorities to "arbitrarily proceed against entrepreneurs" (Heberer, 58). Authorities worry that businesses will become interlaced with politics, and the "honest and hard-working poor" will be subsumed by business owners that are interested in becoming rich quickly (Heberer, 58).

A more recent alternative view, however, revolves around the classification of the Vietnamese entrepreneur as a “socialist entrepreneur” (Heberer, 58). These individuals are thought to take on the “direct tasks of leadership in the economic production process to achieve the goal of being a prosperous people, a strong country, as well as a just and civilized society” (Heberer, 59). Here, the entrepreneur operates as part of the “community of the nation” and with the economic support that comes from the private sector, the Vietnamese people become prosperous, and “the country strong and civilized” (Heberer, 59). This notion also coincides with the religious foundations of Vietnam in Confucianism, where business is construed as being a social concept, and where those who become successful are modest and have good business morality. So, under the Confucian philosophy, entrepreneurship becomes a moral activity, and less a stringent economic activity (Heberer, 59-60).

Ultimately, entrepreneurs act as agents of social change in Vietnam. The emergence of entrepreneurs fundamentally changes a society. Their occupations mold their lives, and their changed behaviors, combined with their transformed attitudes, impact their social environment and lead to change.

#### *BENEFITS OF ‘ASEAN’*

As was mentioned earlier, Vietnam has experienced a multitude of benefits by participating in ASEAN. Unlike the Western economic model, which emphasizes an integrative approach so as to promote collective institutionalization of a liberal democracy, in the Asian system, the national identity of the sovereign state is upheld without sacrificing the opportunity for mutualism (Chan, Leung, Ngan, 5). The ASEAN-10, the ten member countries of ASEAN, which are shown in Figure 9, also focus on promoting economic cooperation instead of military coalition; they strive for peace, and set their sites on maintaining peace via positive trade

relations without entering into a military alliance (Figure 9). Also, by participating in other similar economic organizations, like the Asia-Pacific Economic Cooperation (APEC) forum, and the ASEAN Free Trade Area (AFTA) harmonious regional politics can be maintained.

However, as more and more countries become included in ASEAN, the threat of conflict becomes an increasing worry. More countries means more subregional and regional interests must be taken into account with each decision; satisfying each country's needs becomes steadily more difficult, making future tension a real possibility (Chan, Leung, Ngan, 8). Luckily, because each country's main interest is in fostering its state's economic development, and to do so interregional trade is a key factor, maintaining peaceful trade relations becomes imperative. Hopefully, the economic repercussions that would result from conflict among the ASEAN members will be enough to keep disputes at bay.

Speaking to Vietnam's participation specifically, Figure 6 offers an easy means by which to see the steep increase in Vietnam's imports and exports that are a direct result of its involvement with ASEAN (Figure 6). According to the table, from 1990 to 1994 exports more than doubled and imports almost tripled. In 1990, 20% of ASEAN's exports came from Vietnam, whereas only 13% came from the state before this time. By 1994, 27% of ASEAN's imports came from Vietnam, which marks a substantial increase from the 19% in 1990 (<http://www.aseansec.org/10098.htm>). Trade with ASEAN is also expected to grow with Vietnam's involvement in the Common Effective Preferential Tariff (CEPT) Scheme for AFTA. Under CEPT, Vietnam signed the "Protocol for the Accession of the Socialist Republic of Vietnam." The most important condition under this commitment to AFTA asks that Vietnam prepare a list of tariff reductions so that the rates do not exceed 5%. With these required tariff reductions, Vietnam has been able to become much more competitive in the global market.

Vietnam's membership in ASEAN aids its economy while hastening its integration into the greater world economy. With international competition comes a greater efficiency in the allocation of a country's resources. So, as Vietnam grows more competitive with its fellow ASEAN nations, it places its resources in the activities that lead to greater incomes and increased welfare for the Vietnamese people (<http://www.aseansec.org/10098.htm>). Finally, by participating in AFTA, Vietnam adopts the norms and practices that govern appropriate conduct when engaging in international trade. Such conduct is especially important if Vietnam is to be taken seriously as a member of international trade organization like the WTO (<http://www.aseansec.org/10098.htm>).

Since Vietnamese government officials are responsible for the country's involvement with ASEAN, because they chose to enter into the ASEAN alliance, Vietnam's involvement in ASEAN also represents a willingness of the country's leaders to act in their people's best interest. So, not only do the members of the Vietnamese government look to the actions of their citizens for guidance, as they did with the "fence breaking" economies, they want to make decisions that think will benefit their people. This mindset is one of the key factors that distinguishes Vietnam from other Communist countries.

### **ASEAN – China trade**

Vietnam has prospered greatly from its trade relationship with China. As can be seen by Figure 10, China is Vietnam's main import partner, and is also one of the country's central export partners (Figure 10). According to the Vietnamese Trade Office in China, and the Vietnam Chamber of Commerce and Industry (VCCI) specifically, "Total trade between ASEAN and China reached 161 billion during 2010, which was a 49.6% increase from the year earlier" (VCCI, 1). Of this 161 billion, ASEAN exported \$84.26 billion to China, and imported \$76.74



billion from China. In addition, trade between Vietnam and China grew 48.9% from 2009 to 2010, which equaled approximately \$15.36 billion during the January to July period. Vietnam gained \$3.63 billion from exports to China, which was up 44.5% from the year before, and imported \$11.72 billion, a steep 50.4% increase from the same time a year earlier.

### *REACTION OF GOVERNMENT OFFICIALS TO ECONOMIC SUCCESS*

Government officials recognize that the new dynamic economy is forming because of the efforts of the average Vietnamese citizen. It is not as if only those who were initially wealthy were responsible for the country's sudden economic growth. Unlike the government officials of other Communist countries like North Korea, Laos, and Cuba, the country's leaders desired rapid economic growth, and they are intelligent enough to realize that the country's potential for rapid growth came from the ordinary Vietnamese people. In this respect, the Vietnamese leaders' recognition is praiseworthy, and is a sign that a key mentality change is occurring: Vietnamese leaders make assertive, autonomous choices that are in the best interest of their nation; this line of thinking embodies a marked departure from similar Communist regimes. Also, because Vietnamese leaders really want to improve their nation's economy, these government officials act in a way that is very different from their other Communist counterparts.

### **Communist political structure**

Understanding Vietnam's Communist past helps shed light on the way Vietnamese government officials make policy choices. Looking back to the 1920s, a form of social and political radicalism started to infiltrate Vietnam from the West (Duiker, 11). Until the beginning of the Russian revolution in 1917, Marxism was little known outside the Western world. With the Bolsheviks rise to power in Russia, however, preindustrial societies in Asia began to take notice. Once the Communist International (Comintern) organization became established in 1919

to help Communist leadership grow in non-Communist countries, Comintern members spread their message to the East; within two years the Chinese Communist Party had been founded, and by 1925 the radical Vietnamese patriot Ho Chi Minh (in whose honor the capital city of Saigon was renamed in 1976) founded the Vietnamese Revolutionary Youth League, a Marxist organization (Duiker, 12). Through Ho Chi Minh's efforts, Communism spread, eventually leading to conflict between the staunchly Communist North and the South. Finally, during the 1954 Geneva Conference, Vietnam was divided into two: the "Democratic Republic of Vietnam" in the North, and the "Republic of Vietnam" in the South (Duiker, 32). In 1959, in response to issues with the reunification of the North and South, the Vietnam War began.

Today, Vietnam is formally a single-party socialist republic. In reality it is a communist state; the country is not free. The policy-making context of this country is based on the decisions made by the Vietnamese chief of state. In addition, the chief of state elects a prime minister from his national assembly. In this system, the state plans and controls the economy. The bottom line: the state is in complete control of the policies that are passed.

Considering Vietnam has only been an official Communist country for the last few decades, it is interesting that it remains so allegiant to the Party. In the scheme of the country's long history, the presence of Communism in Vietnam is minuscule. Vietnamese leaders most likely refuse to abrogate its Communist political system because to them, Communism represents something that is not controlled by the West. Communism was embraced because it represented complete opposition to Western Imperialism. What is contradictory, though, is that Communism first emerged in the West, so it seems inconsistent that the Vietnamese take Communism to be so culturally integral.

Of course not all Vietnamese citizens are true members of the Communist Party. Many merely acknowledge that it is a part of their country's political system, and consider it to be yet another political group. In this way, Communism takes a back seat to other issues that are of greater importance, like earning a sufficient living to support one's family. For these individuals Communism really only becomes an issue when authorities impinge on their ability to do so, by repossessing their land for government use, for instance. Thankfully, based on the information I have attained through my cousin Yin, who is a native of Vietnam, instances of this kind of injustice do not occur as often as they once did.

Vietnam did not have a great start in developing and modernizing due to the devastating effects after the war in 1976. When Communists took over South Vietnam, they gained productive land and forces, but they did not gain a well-functioning economy. Vietnam's housing, transportation, and communications networks in both north and south had been destroyed. Jobs declined and education had been disrupted; malnutrition persisted. The Communist takeover permitted only extremely limited personal freedom, controlling every aspect of life. Under the Communist Party, the people owned all the land and industries collectively. Withal, Vietnam has had to work hard to promote growth and development (*Wills p.52-54*).

### **No fear of the entrepreneurial sector**

The fearlessness on the part of Vietnamese government leaders signals a main departure of Vietnam from its fellow Communist countries. In countries like Cuba and North Korea, the entrepreneurial realm has been subdued most likely out of fear that it would become too politically powerful. In Vietnam, however, government officials have come to realize that adapting to the needs of their people helps cultivate the greatest economic growth. If the people

want to start their own businesses they will find a way to do so, in many cases with or without the government's say so, as evidenced by their "fence breaking" practice. Being open to change enables officials to integrate the practices the people think are best for themselves, while also picking and choosing the policies that they believe will help their country grow the most.

### *WHY VIETNAM ADOPTED THE POLICIES IT DID*

To better understand the Vietnam's reasons for choosing its current economic model, and to make sense of Vietnam's current economic success, one should take an evaluative look at the country's past. One can see how far Vietnam has come in the last few decades by looking at the country's starting point. Through a careful examination of the differences between Communist countries, Vietnam's conflict history, and its relationship with China, one can attain a deeper understanding of the reasons underlying Vietnam's decision to incorporate its current set of economic policies.

### **Differences between Communist countries**

After the collapse of Communism in the late 1980s and 1990s, there remain today five Communist countries: China, Cuba, Laos, North Korea, and Vietnam (<http://geography.about.com/od/lists/tp/communistcountries.htm>). Of the five, only China and Vietnam have demonstrated substantial economic success in more recent years; ironically, these two countries utilize the same open-market economic policies. Although Laos does not possess the level of economic power of China or Vietnam, because it has adopted a much more open trade policy, began decentralizing control in the 1990s, and encourages private enterprise, its economy has risen in the last couple decades (CIA Factbook). Cuba and North Korea are still quite poor because they have non-market, centrally planned economies. Because of the

geographic proximity of North Korea to Vietnam, more attention will be paid to the similarities and differences between these two players, and not Cuba.

North Korea's guiding ideology of 'juche' is typically translated to mean "self-reliance" and "militant nationalism". However, it more literally means, "we can do anything we want" (Jeffries, 318). Most of the problems in North Korea stem from the dictatorial regime's desire to stay in power at almost any cost (Gurtov, 1). North Korean authorities, while acknowledging the benefits of a more open economic system involving trade, refuse to integrate China's suggestions of "reform" and "opening" (Gurtov, 1). Even Kim Jong Il himself understands and agrees that an open market economy is favorable, saying, "Opening up to the outside world is correct" (Jeffries, 374). However, the deluded logic and irrationality that the leader continues to exhibit tragically impact the North Korean masses. Foreign direct investment is extremely limited in North Korea, which contributes all the more to the country's national poverty. The country is also devoid of natural resources, which makes it annually more and more difficult to remain self-sustained. Finally, North Korea spends anywhere from one fourth to one third of its GDP, with the armed forces running a parallel economy with their own mines, factories, and farms. Because so much of their GDP is spent on the military, little is left for civilian priorities, which means that members of the military spend a large amount of time performing civilian duties like harvesting food (Jeffries, 319).

The differences just listed account for the disparity between other more prosperous Communist countries like China and Vietnam. One of the most troubling aspects of the situation in North Korea comes from Kim Jong Il's recognition that a more open economy is a beneficial one. China, Vietnam, and North Korea all realize the vital importance and merit of engaging other countries in trade. However, in spite of this awareness, North Korea still strives to be self-

sufficient to a fault. One cannot help but think of the famous Albert Einstein quote “Insanity: doing the same thing over and over again and expecting different results” (BrainyQuote.com). The North Korean government continues to maintain its closed economic system, even though it knows it does not work.

Thus, it seems that the main reason that Communist North Korea’s economy is dying while Communist Vietnam’s economy flourishes has little to do with a shortcoming of Communism itself. North Korea is not suffering because of Communist economic policies *per se*; it is suffering because of a leader who cannot come to terms with the fact that the world has changed and is changing, which warrants economic adaptation for survival. So, on a simple level, North Korea differs from China and Vietnam because it has not embraced open trade; on a more substantive level, it is the *willingness* of each prospective country’s ruler to embrace a capitalist-style economic system that accounts for the countries’ glaring differences in prosperity.

## *VIETNAM AND CHINA*

### **Vietnam’s conflict history**

Vietnam has a long and torrid history, most of which involves China. Vietnam began as an autonomous country. Because of Vietnam’s proximity to China, Vietnam became a kind of outgrowth of Chinese civilization in the Southeast Asia region (Forbes, 1). Both countries were aware of the cultural ties binding them together, but they were equally suspicious of each other’s intentions. The Vietnamese embraced much of what Chinese civilization had to offer, namely religion, and the centralized, hierarchical set up of the state, but simultaneously fought to maintain its cultural roots and nationalism (Forbes, 1). However, in its country’s infancy, Vietnam was overtaken and ruled by China, and was specifically under the control of various

Chinese dynasties from the year 207 BC until 938 AD (Wickberg, 11). It was during this time that much unrest with Chinese rule grew in Vietnam, leading Vietnam to reassert its independence in the year 938. Also during this period, and particularly during China's Tang dynasty (6<sup>th</sup> to 9<sup>th</sup> centuries AD), Vietnamese soldiers who were fighting the Chinese became well known for singing a military song announcing their national pride with the following lyric: "Fight to show that the heroic southern country can never be defeated" (Forbes 1).

After the shift of power that occurred in 938, Vietnam became a tributary state to its more powerful neighbor, China, which meant that Vietnam would pay regular tokens of submission (tributes) to its powerfully superior neighbor, China (Forbes, 1-2). The Chinese constructed this tributary system with the conviction that China was economically and culturally superior to Vietnam (Wickberg, 25). While such a tributary relationship is not characterized by any administrative control from Imperial China, it does require that the less powerful country, in this case Vietnam, acknowledge its inferiority. As one would assume, Vietnam had a difficult time swallowing its pride. In the thirteenth century, Vietnam repelled multiple invasions from China, primarily because it continued to resist China's iron grip. Thus, early in its history, Vietnam sustained much resentment towards China because it was so disrespected and constantly overpowered; this tug of war between Vietnam and China would last for a millennium.

Vietnam's independence ended for a short period around the middle to late nineteenth century when the French colonized the country. During WWII, Imperial Japan removed the French occupants, and occupied Vietnam itself, although they kept French administrators in charge. After the Japanese occupation, France tried to re-impose its colonial rule, only to fail during the First Indochina War. The Geneva Accords then partitioned the country into the

northern Democratic Republic and the southern State of Vietnam; although peaceful reunification by democratic election was promised, the Vietnam War ensued instead.

After millions of Vietnamese deaths, the war ended in April of 1975 (Forbes, 1). Then, during the Second Indochina War, and after the United States was defeated, Vietnam asserted its independence yet again, this time becoming an ally of the Soviet Union. From 1978 to 1979, Vietnam invaded Cambodia and overthrew China's central Southeast Asian ally, the Khmer Rouge. Again, China became red with anger, and was convinced to teach 'ungrateful' Vietnam a lesson (Forbes, 1). Chinese leader Deng Xiaoping ordered Chinese troops to invade Vietnam in 1979, at which time he captured and destroyed five northern province capitals; he withdrew back to China after he completed his "lesson" (Forbes, 2). Both sides suffered substantial casualties because of Deng's actions. Although Vietnam was technically reunified, it underwent much internal strife until approximately 1986 when the Communist Party of Vietnam overhauled its economic policy, and made numerous private sector reforms that resembled those in China (Forbes, 2). Since this economic shift, Vietnam has slowly, but surely, experienced substantial economic growth, as well as some reduction in political repression.

In short, the history of Vietnam is a tumultuous one. One of the most interesting and enduring themes of its past involves the country's love hate relationship with China. In Vietnam's infant years as a country, it was repeatedly subsumed by China, until China eventually overtook it completely. Later, when Vietnam eventually gained its independence, China attacked the country relentlessly. It seems as if not a century could go by without some kind of conflict breaking out between Vietnam and China, with China being the aggressor.

On a different vein, China has a deeply rooted history of traditional Confucian philosophy that centers on peace; Confucianism even formed the basis of the ancient Chinese



social system, providing ethical rules that the people must follow (Confucius, 20). The predominant religion in Vietnam derives its origins from an amalgamation of Buddhism, Taoism, and Confucianism, a faith system that has come to be known as “tam giao,” or “Three Religions” (Forbes, 1). This trend marks a clear departure from most of the religious paths taken by Vietnam’s neighboring South Asian countries, which were primarily Buddhist, in favor of pursuing the Chinese religious tradition; Vietnam’s decision to follow Chinese religious tradition marks another example of the tight-knit interaction both countries share.

Returning to religion, and regarding instances of military conflict, the Confucian tradition stresses opposition to staunch reliance on military force (Confucius, 88). In light of the prevalence of Confucius’ teachings over time, and that persist in present-day China, it seems contradictory that China has had such an intensely conflictual relationship with Vietnam. On this level alone, one could not help but wonder if there is something different about China’s relationship with Vietnam that has made it so volatile.

It is very easy to misconstrue China’s interaction with Vietnam as being one of hatred. Indeed, such a long history of oppression could scarcely be viewed as anything but. However, upon deeper investigation, one finds that it is not hatred that fuels China, but China’s anger over Vietnam’s rejection of its influence. According to Andrew Forbes’ “Why Vietnam Loves and Hates China,” The Chinese acknowledged the Vietnamese as being a “kindred people,” and they considered the offering to share in Chinese culture and polity an honor and a privilege (Forbes, 1). So, when the Vietnamese began resisting Chinese control, and rejected Chinese standards, the Chinese became infuriated, and punished the Vietnamese severely. In fact, Song Emperor Taizong, in AD 979, sent a message to King Le Hoan of Vietnam in the first years of Vietnam’s independence, trying to convince Vietnam to return to China’s rule:

“Although your seas have pearls, we will throw them into the rivers, and though your mountains produce gold, we will throw it into the dust. We do not covet your valuables. You fly and leap like savages, we have horse-drawn carriages. You drink through your noses, we have rice and wine. Let us change your customs. You cut your hair, we wear hats; when you talk, you sound like birds. We have examinations and books. Let us teach you the knowledge of the proper laws ... Do you not want to escape from the savagery of the outer islands and gaze upon the house of civilization? Do you want to discard your garments of leaves and grass and wear flowered robes embroidered with mountains and dragons? Have you understood?” (Forbes, 1).

It becomes quite clear what China thought of Vietnam. Indeed, Vietnam wanted access to China’s civilized culture, but not at the cost of the Vietnamese people’s freedom. Emperor Taizong was enraged, and thus began the love–hate relationship of Vietnam and China that would last through the 21<sup>st</sup> century. Indeed in the 13<sup>th</sup> century, Emperor Yongle applied the term ‘mi mi’ to Vietnam, meaning “intimately related;” he used this term to show that Vietnam’s movement away from China was all the more deserving of punishment because of the close association the two countries shared (Forbes, 2).

In light of the extensive history of conflict between Vietnam and China, it is interesting that in recent years Vietnam has set this extremely long history aside and embraced the economic plan that has enabled China to become so powerful economically. As will be addressed in more depth, it is because of this openness to more capitalistic economic policies that Vietnam has been able to slowly, but steadily thrive. In order to better understand how Vietnam’s recent economic changes have positively influenced its current status, one must look into Vietnam’s past

economic policies. By tracking Vietnam's economic growth, one can learn which changes are most responsible for the country's current success.

### **Vietnam as an extension of the broader Chinese culture**

In many ways Vietnam can be viewed as an extension of China. With regard to societal institutions and culture, China and Vietnam share a broadly similar heritage (Womack, 11). Both exhibit a "paternalistic, family-oriented" political system, which tends to integrate Confucian beliefs into the political and social hierarchy. Also, both countries have been through extended periods of rural revolution. Vietnam's learning from China is rooted in the desire to establish policies that apply directly to its present situation. Vietnam's dedication to learning applicable political and economic lessons from China, as well as other foreign models, has also contributed to Vietnam's success. Also, Vietnam and China both considered themselves to be the center of their regional civilizations; however, their self-respect was destroyed by 19<sup>th</sup> century Western imperialism. Both countries also fostered radical Communist movements that caught like wildfire during this time; once both countries became "disillusioned" by socialist economic development, they embarked on bold market-oriented strategies that rested on international openness (Womack, 12).

From an economic standpoint, China and Vietnam share a desire to economically overtake other Southeast Asians, mainly with the intent to establish far-reaching reform; they hope to extend the principles that have brought them so much success to those countries that can benefit and contribute most. Additionally, economic crises during the end of the 1970s acted as the impetus for the extensive economic reforms that have incurred in both countries (Heberer, 8). Once the Council for Mutual Economic Assistance, Comecon, dissolved, Vietnam was at a loss for trading partners; Comecon was the organization used by the Soviet Union to help

coordinate the economic activities of fellow Communist countries. Since Vietnam could not sustain its country on its own, Vietnam had no real choice but to liberalize trade and open itself to international economic trade (Zwass, 4). China and Vietnam have remained allegiant to their original goals of creating long-term economic change, while also maintaining the power of the Communist party. On this note, while China and Vietnam are well known to be Communist countries, they tout themselves as socialist countries that pursue paths of development marked by national aims (Heberer, 9). Though both countries have experienced an influx of workers from the agricultural sector into the industrial realm, these countries are marked by their agricultural industry. Next, although their economic systems prior to reform reflected Soviet-style Communism, the social structure of both lands was inextricably influenced by Asian tradition.

### **Vietnam as a unique entity**

With regard to dissimilarities between China and Vietnam, one of the most obvious, yet important, differences involves each country's geographic size. Vietnam's land mass is but 4% of China, and its population is only 7% of its neighbor (Heberer, 9). With its size, China brings greater pluralism and diversification. Historically, China has viewed itself as the cultural center of the world, assuming that because of its status, surrounding countries should pay it tribute. Conversely, Vietnam saw itself as a nation that was constantly ransacked by the Chinese. Next, and in some ways most importantly, in Vietnam the process of reform began *before* complete collectivization ensued; in China, collectivization began some time before any reform took place (Heberer, 10). China's state and collective sector developed much more strongly than in Vietnam. Finally, the international context of both countries is quite different. In the late 1980s Vietnam was highly dependent on the foreign aid provided by the Soviet Union as well as trade with the Soviet Union, while China had one of the highest rates of foreign investment of all

developing countries. “Vietnam is both more vulnerable and more dependent on the rest of the world than is China (Womack, 17).

The differences between China and Vietnam call into question the idea that Vietnam is but a smaller copy of China. Indeed, many similarities exist between China and Vietnam. Even so, Vietnam is its own nation first and foremost. On that note, one can begin to take a deeper look at Vietnam on its own, and start to gauge the extent to which Vietnam’s past has come to shape its present.

### **Why does Vietnam allow itself to be so influenced by China?**

Vietnam interacts with nearly all of its Southeast Asian neighbors, but it still retains the largest portion of its outside influence from China. As was addressed earlier, the ties between Vietnam and China are deeply rooted and go back thousands of years. Still, even though more Asian countries have influenced Vietnam than just China, including Burma, Thailand, Cambodia, and at times India, China continues to be, above and beyond, Vietnam’s greatest outside influence. But why? Countries all over the world that owe much of their early history to a greater power do not exhibit this pattern.

In Brantly Womack’s China and Vietnam: the Politics of Asymmetry, the author evaluates the relationship between China and Vietnam. He notes that their interaction can be seen as not one relationship, but two: “the relationship of China to Vietnam and the relationship of Vietnam to China” (Womack, 9). Womack makes the analogy that for China, Vietnam has been rock, hard and difficult to move. China has repeatedly tried to break this rock, and Vietnam has suffered greatly, but China has still hardly ever managed to completely dominate Vietnam. Whether in times of peace or times of conflict, China refuses to regard Vietnam as an equal. For Vietnam, China is an “inscrutable northern giant” (Womack, 9). Even during a period of peace,

Vietnam fears the giant because it is dominant, and whether peace continues is at the giant's discretion. Vietnam needs to maintain copasetic ties with China because it also relies on China for trade; if Vietnam allows China to push it around, though, it loses its national pride and autonomy. Vietnamese authorities are suspicious of China's intentions, and while they show concern about for their country's security, there is not much they can do to self-strengthen, or to make their relationship with China more equal. Another problematic aspect of the China-Vietnam dynamic comes from the reality that despite their differences and issues with one another, neither side can terminate their relationship (Womack, 10). "China and Vietnam are fated to coexist" and in spite of their begrudging interaction, their relationship somehow manages to remain quite stable.

Perhaps the duration of their relationship has led to Vietnam's continued adoption of Chinese economic and cultural influence. The interaction between Vietnam and China is ancient. They also both underwent periods of imperialist domination by the West, leading to a sense of camaraderie that has not been forgotten. On the other hand, it could be Vietnam's desire to learn from many of China's advances that has sustained the relationship between both countries. As Edgar Wickberg argues in Historical Interaction of China and Vietnam: Institutional and Cultural Themes, Vietnam has not blindly followed in China's footsteps (Wickberg, 36). Vietnam has most definitely borrowed multiple institutional reforms from its neighbor, but it has done so intentionally. Vietnamese government officials continue to choose the best parts of Chinese culture that also apply most directly to Vietnam's individual circumstances. Vietnam is aware of China's cultural, economic, and political prowess, and like any wise pupil, Vietnam has remained open to all that China has to offer. Though Vietnam wanted to retain its unique culture, it also wanted to integrate the greatest components of Chinese

culture so as to advance Vietnam to its fullest potential. This could be the most pivotal reason for allowing the continued Chinese influence. Following in China's footsteps gives Vietnam the tools it needs to succeed as a country; it gives its citizens a future as well. If Vietnam closed itself off like its Communist neighbor North Korea, there is no way Vietnam could hold a place in the world market. What is more, the Vietnamese people would suffer the most from a schism with China. The increased trade with China has allowed for a new level of quality of life to be attained by the Vietnamese. Cutting off the influence of China would become detrimental to the people, which is all the more reason to uphold the Chinese influence in Vietnam.

#### *CONCLUSIONS: WHY MAINTAIN COMMUNISM AND EMBRACE CAPITALISM?*

In all, economists and political scientists tend to be divided when it comes to the reasons for Vietnam's decision to maintain a Communist political system, while adopting a more capitalistic economic strategy. Some argue that Vietnam is merely tagging along behind its big brother China, parroting with little thought the policies and systems that China erects. Conversely, and much more widely held, other thinkers tout that the integration of a more open economy is the result of Vietnam's recognition that it must adapt to world changes; the world market is expanding, and authorities realize that the system erected by China in the late 1980s is a superior response to these world trade changes and to their closed economic system, so they have taken the Chinese economic model to heart. Also, by portraying privatization and an open economy as being congruent with Communism, in that by pursuing the best economic strategy Vietnamese citizens are acting in their country's best interest, Vietnam can reconcile capitalism with Communism. Such an idea may appear audacious and contradictory at first glance, but it is not; it is effective and quite brilliant. Vietnam does not have to relinquish its Communist roots,

enabling it to keep its political integrity, while also collecting the exponential benefits of being a player in international trade. Vietnam incurs the best of both worlds.

## **EFFECTS OF VIETNAM'S ECONOMIC SUCCESS**

The aforementioned causes that have led to Vietnam's current economic success have important implications for the people of Vietnam. The last half of this paper explores the positive and negative effects of Vietnam's economic success on the Vietnamese people's social welfare, demography, environment, agricultural output, and the country's Communist political system. In addition, this half will address ways by which the government can alter its current policies and political structure to deal with the various side effects.

### **CONSEQUENCES AND SIDE EFFECTS OF VIETNAM'S ECONOMIC SUCCESS**

The central population, food, environmental, and social welfare issues that encompass most of this "effect" portion of the paper are closely linked. Regarding population, the country's large population, increased population density in urban areas, and aging population all threaten Vietnam's future. In terms of food related issues, meeting increased food demand needs, reducing the country's food insecurity, and the necessity of combating high levels of malnutrition are imperative. The most prevalent environmental issues stem from the following: the effects of extensification practices, heavy pollution and water contamination in urban and rural areas, and increased CO<sub>2</sub> emissions due to urbanization. Finally, the predominant social welfare issues are tied to each of these three areas. These issues interrelate because Vietnam's large population is taking its toll on food production, the environment, and the country's capacity to improve the people overall welfare.

Thus, four main sub issues that develop in the paper's second half involve (1) the environmental effects that stem from attempts to meet the increased food demands of Vietnam's



large population, (2) the implications of the population shift from the rural to the urban sector on food production and the environment, (3) how increased urban population density negatively impacts food availability and increases water and air pollution in cities, and (4) whether Vietnam's economic successes translate into increased social welfare.

The magnitude of the effects of these issues is alarming. Because of Vietnam's large population, the country is having difficulty meeting its food demands. To meet these food needs, beneficial intensification and detrimental extensification measures are being pursued; these processes are helping and harming the environment respectively. The increased population density in urban areas has also worsened Vietnam's now chronic food shortages. Malnutrition is high in cities due to the high urban population density that has resulted from rural to urban migration. Increased industrialization is taking a toll on the environment, as demonstrated by dramatic increases in CO<sub>2</sub> emissions, increased water pollution, and difficulties with controlling waste management. Finally, as a result of Vietnam's growing economy, people are becoming more financially secure. As a result, they are having fewer children, eating more meat, and buying more cars; all these factors are invariably going to impact population, food, and environmental sectors in the future. Additionally, vast increases in pollution and CO<sub>2</sub> emissions will not only impact Vietnam and its environment, they will affect the world. Hence, the magnitude of the effects of these issues is staggering.

### *POPULATION ISSUES*

To fully understand the impact of economic change on a country, one must look at the country's demography. Vietnam's population has grown greatly over the past 35 years. In 1985, the population of Vietnam was almost 60 million with a population density of 179 persons per square kilometer (<http://www.country-data.com/cgi-bin/query/r-14647.html>). Currently,

Vietnam has a population of approximately eighty nine million people and a population density of roughly 260 people per square km (CIA World Factbook) ([http://www.gso.gov.vn/default\\_en.aspx?tabid=467&idmid=3&ItemID=8653](http://www.gso.gov.vn/default_en.aspx?tabid=467&idmid=3&ItemID=8653)). Population density varies widely, however; it is generally lower in the southern provinces than in the northern ones, and in both North and South it is lower in the highlands and mountainous regions than in the lowlands (Figure 11) (<http://mappery.com/Vietnam-10m-LECZ-and-Population-Density-Map>). The most densely settled region lives along the Red River Delta, accounting for roughly 75 percent of the population of the North. Also, nearly half of the southern population settles along the Mekong River Delta (<http://www.country-data.com/cgi-bin/query/r-14647.html>). Vietnam exhibits a population growth rate of 1.137%. The crude birth rate: 17.29 births/1,000 population and the crude death rate: 5.97 deaths/1,000 population. The fertility rate in Vietnam is approximately 1.93 children born to each woman. Vietnam's migration rate is but - 0.37 migrants/1,000 population, demonstrating that the Vietnamese are staying in Vietnam.

In 1990, the age-sex distribution resembled that of most developing countries in the later first or early second stage of demographic transition: the base of the pyramid was much wider than the top, showing that the country was experiencing a period of great population growth, while also maintaining lower life-expectancy (Figure 12) (Banister, 95). Additionally, the asymmetry of the graph shows that women tended to live longer than men; women will also be shown to outlive men in the 2010 and 2050 graphs. The population pyramid of 2010 shows a significant decrease in population growth (Figure 13) ([http://www.nationmaster.com/country/vm/Age\\_distribution](http://www.nationmaster.com/country/vm/Age_distribution)). This decrease is due to a number of factors. As the economy flourishes, and people's incomes increase, birth rates often decrease. Greater knowledge of birth control occurs, and people realize that they can provide better for

their offspring if they have less of them. These beliefs, combined with Vietnam's successful National Committee on Family Planning, led to the population decrease. The National Committee on Family Planning, though established in the late 1980s did not take hold until the 1990s, informed women of the importance of sex education and birth control (<http://www.country-data.com/cgi-bin/query/r-14647.html>). The committee also raised the legal age to wed to twenty-two in the hopes of slowing birth rates. The policy worked: people in Vietnam began having fewer children. The graph also demonstrates population momentum. Even when a country's total fertility declines, there is still a lag period before the natural increase in birth rates decline. Thus, population momentum refers to the tendency of a population to continue to grow past the period when the country achieves replacement levels of fertility. So, despite the present decrease in Vietnam's population growth rate, the country's population will continue to increase.

The projected graph for the year 2050 depicts the country in Stage Three and perhaps even Stage Four of the demographic transition model; it also shows how greatly population momentum will impact the population level in the future (Figure 14). The upper parts of the graph become wider than the bottom, demonstrating that the amount of the oldest members of the population will exceed the youngest. This aging population will likely have serious impacts on Vietnam's future. Not only will an aging population mean a decrease in the amount of workers in the labor force, it is possible that there will not be enough young people to care for the elderly. The government will likely have to put in place some programs to care for the older population, and may have to resort to using more child labor to compensate for the loss of workers. Hence, the age-sex profiles are highly telling of Vietnam's past, present, and future. ([http://www.nationmaster.com/country/vm/Age\\_distribution](http://www.nationmaster.com/country/vm/Age_distribution)).

The effects of increased industrialization are seen most in the population shift from rural areas to urban ones. The urban population of Vietnam is 28% of total population. The rate of urbanization is a 3.1% annual rate of change. The Vietnamese labor force is divided by occupation into 51.8% agriculture, 15.4% industry, and 32.7% services (CIA World Factbook).

Income inequality is increasing in Vietnam as it transforms into an industrial economy. The gini coefficient was 0.345 in 1990; it has risen to 0.432 in recent years. The gap in income is widening between the richest and poorest total incomes in Vietnam. The poorest two deciles of households accounted for 8.0% of total income in 1990; it fell to 5.6% in 2006. The richest two deciles accounted for 42.7% of total income in 1990, and the share increased to 49.3% in 2006. Its rate of unemployment was 2.7% in 2001 and had fallen to 2.0% in 2006 (General Statistical Office of Vietnam). Rising income gaps will shift Vietnam's population from rural to urban areas as new jobs are created in its cities. However, Vietnam's transformation into a manufacturing and services based economy should ameliorate income inequality in the future. The Vietnamese government hopes to tackle income inequality by creating more jobs through accession to the WTO. With more time, an industrial economy with more jobs, rising incomes, and higher consumer spending should help bridge the urban-rural divide.

Undoubtedly there are repercussions for Vietnam's rising industrial sector with increased urban population density. The population shift from rural areas to cities has led to a large, population dense, industrial sector. Because of policies that inform the public about birth control, fertility rates have decreased. Even so, the Vietnam's population momentum still makes food supply an issue, as will be demonstrated in the next section.

#### *ENVIRONMENTAL IMPLEMENTATIONS*

The world has entered an age where environmental policy reformation must be a pivotal facet of government policy. In Vietnam, issues related to the environment should no longer be put to the back burner. With rising international pressures to engage in environmentally conscious practices, one can only hope that Vietnam will look to prominent figures in the international community for guidance. However, when a country that Vietnam models much of its behavior after, like China, does not change its practices, it is hard for environmental conscientiousness to become a priority. In light of the reality that even the most developed countries do not respond to the climate change crisis as they should, asking Vietnam to change its practices becomes but wishful thinking.

Vietnam's central environmental issues stem from logging and slash-and-burn agricultural practices that contribute to deforestation and soil degradation. Water pollution and over-fishing threaten marine life populations, and groundwater contamination limits the potable water supply of Vietnam. Risk of contracting a major infectious disease is high. 92% of Vietnam's urban population in comparison to 50% of its rural population experiences improved access to sanitation facilities (<http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Vietnam.html>). Even so, growing urban industrialization and population migration have had a rapidly degrading environmental effect in the main cities of Hanoi and Ho Chi Minh. The country demonstrates decreased biodiversity and increasing numbers of endangered species due to deforestation and a trend of dining at endangered species restaurants; this culinary phenomenon will be addressed in greater depth in the policy proposal section

Vietnam is the third largest aquaculture producer in the world. The danger of this practice is that it can often be more environmentally damaging than exploiting wild fisheries. Because of improper waste handling, and because in-ocean aquaculture produces higher than

normal fish waste concentrations, the waste collects on the ocean floor, damaging and sometimes even eliminating the wildlife at the bottom. Aquaculture is also a serious threat to coastal ecosystems. In fact, shrimp aquaculture practices in Vietnam have been characterized as the marine equivalent of “slash-and-burn” farming ([http://en.wikipedia.org/wiki/Aquaculture#Production\\_volume](http://en.wikipedia.org/wiki/Aquaculture#Production_volume)). In contrast, the devastating effects are caused by toxin build up and nutrient loss of the ocean area.

Finally, the growing urban industrialization and population migration have had a rapidly degrading environmental effect in the main cities of Hanoi and Ho Chi Minh City (CIA World Factbook). Larger amounts of coal, the country’s main energy source, will be burned, wreaking havoc on the atmosphere. Because the workers moving from rural Vietnam will be rather poor, the population in slums could increase as well, leading to even more health and environmental hazards. Cities will grow dirtier, and people will likely suffer increased illness (<http://earthtrends.wri.org>).

Vietnam continues to face dramatic increases in CO<sub>2</sub> emissions (Figure 15). In the past fifteen years, CO<sub>2</sub> emissions have risen by 95% (<http://cdiac.ornl.gov/trends/emis/vie.html>). CO<sub>2</sub> emissions will increase because of the rise in food manufacturing, increased number of factory jobs, and increased private transportation devices. Cultivating and harvesting food requires a lot of energy; all this energy gives off greenhouse gas emissions. The increased number of factory jobs will also invariably emit a greater volume of greenhouse gases because of increased production. Finally, as mentioned in the introduction, as people’s incomes increase, their desires change and are augmented. Because more of the population is become more financially secure, they will stop using their bicycles, and instead purchase a car. As the number of cars being purchased increases, so too will the amount of greenhouse gas emissions. More

industry equals more pollution, so as if a 95% increase was not severe enough, similar statistics are likely to become a fact of life in Vietnam.

My personal hypothesis that links together food, population, and the environment is the following: As a direct result of rural poverty in Vietnam, waste treatment issues persist because the large number of poor people cannot afford to keep their water clean; if the situation is left unaided, death rates will increase, and the shortage of potable water will harm civilians' health and will inhibit the cultivation of various crops. Whether or not this hypothesis has been proven true remains to be seen.

### *AGRICULTURAL IMPLEMENTATIONS*

Agriculture is the backbone of the Vietnamese economy. Due to increased industrialization, by 1994 the agricultural sector's share of current price GDP had fallen to 29%, and has since dropped even further to 20.7%. While this sharp decline could be initially construed as a shortcoming that Vietnam must overcome, this drop in price might not necessarily be a bad sign. In most developed countries, like the United States, Western European countries, Japan, etc., the agriculture sector accounts for a relatively small percentage of the GDP because industry becomes a higher priority. Since the industrial sector tends to be more lucrative than the agricultural sector, shifting one's goal towards increasing industry tends lead a country to experience greater economic prosperity. So, Vietnam's GDP decrease in agriculture could be a potentially positive example of the benefits of modernization.

In the 1980s, Vietnam needed to produce an additional 400,000 tons of food each year just to keep pace with its then rapidly increasing population (<http://www.country-data.com/cgi-bin/query/r-14647.html>). Although Vietnam produces most of the agricultural products needed to meet its food demand, Vietnam is food insecure from a household perspective. In fact,

Vietnam exhibits the highest child malnutrition rate in the region. The prevalence of underweight among children under 5 years of age is 40%, that of stunting is 36%, and that of wasting is 10%. The same underweight statistic is true of both adult men and adult women (40%) ([http://www.fao.org/ag/AGN/nutrition/VNM\\_en.stm](http://www.fao.org/ag/AGN/nutrition/VNM_en.stm)). Even with a 272% increase in meat production since 1980, and a 178% increase in cereal grain production since that time, people are still starving. The growth in meat production does reflect the income elasticity of demand, though. As many people's incomes rise, their food preferences change according. They begin to purchase and consume more meat and vegetables, a phenomenon referred to as Bennet's law. In Vietnam's case, more livestock must be raised to support the growing demand for it.

Vietnam has developed a number of intensification and extensification programs to try and combat food insecurity; only the extensification practices have placed a strain on the environment, though. The most influential intensification food production program has been the System of Rice Intensification (SRI). It has been reported that farmers in 21 Northern provinces of Vietnam have adopted SRI methods, wholly or in part, on 10% of the total rice growing area. In 2009, 440,833 farmers used SRI methods on 232,365 ha. It was also reported that 20% of the farmers were using the full set of SRI practices. The rest of the farmers were using most of the practices, if not all, and were reaping the benefits of higher yields with lower costs and less water usage. The application of SRI practices is estimated to have helped rice farmers earn 1.8-3.5 million VND, or \$100-200 US dollars, more per ha while utilizing less water. In addition to higher yields, costs have been reduced, reduction in soil and water pollution by agrochemicals has occurred, overall improvement in rice quality has taken place, and there has been a reduced risk of crop loss due to storm damage, pests and diseases. By using the direct-seeding method, in



place of transplanting, several provinces have been shown to retain all or most of the productivity benefits of SRI methods while reducing labor requirements (<http://ciifad.cornell.edu/sri/countries/vietnam/index.html>). Along with the SRI, chemical and organic fertilizers are having a net positive effect on crop cultivation. However, the government does not control the importation of fertilizer, so there are frequent fluctuations in the price.

The extensification deforestation, illegal logging, and slash-and-burn practices have had severe impacts on the environment. The most harmful effect of deforestation has been the decrease in biodiversity. As will be explained later, Vietnam is already experiencing an increased number of endangered species, and a decrease in the number of these species that are living. As deforestation clears away animal's natural habitat, whole species run the risk of dying off. Illegal logging is also rampant. CO<sub>2</sub> emissions have increased dramatically, and soil fertility has depleted as well. What is worse, Vietnam is unable and reluctant to deal with illegal logging. The Forest Protection Department, which polices illegal logging in Vietnam, is often involved with State Forest Enterprises in illegal logging; with salaries for Forest Protection staff as low as \$30 a month, corruption is widespread (<http://earthtrends.wri.org>). Regarding slash-and-burn practices, a debate persists over whether slash-and-burn is beneficial or detrimental. Some claim that slash-and-burn allows for new growth in the deforested area; most views are to the contrary, though. Slash-and-burn techniques increase CO<sub>2</sub> emissions, and harm the soil, leading to increased soil degradation from soil run off (<http://earthtrends.wri.org>). In all, extensification practices are detrimental to Vietnam's environment, and will have serious effects on global biodiversity as well.

An additional hypothesis that links issues related to food and population is the following: Vietnam's large population is met with increased food production in the forms of beneficial

intensification alternatives, and detrimental extensification practices. Thus the underlying causes of most of Vietnam's food related problems have stemmed from population issues. Also, the migration of individuals into cities has made urban malnutrition an increasingly serious issue.

### *SOCIAL WELFARE ISSUES*

Controlling programs for infectious diseases, more efficient distribution of available food, and better access to Public Health Services, are required to improve the overall nutritional deficits that persist in Vietnam. With greater regulation over programs aimed towards combating the spread of infectious diseases, Vietnam will experience a decrease in its high level of population health issues. At the moment, though programs have been put in place to fight the spread of infectious diseases, implementation and regulation of these programs is not often seen through all the way. Vietnam does not supply these programs with sufficient funding, so they are limited in the good they can achieve. Also, because of the low funding, those that work for these programs earn incredibly low salaries. Hence, their motivation to perform their tasks well is low to boot. By placing more attention on this area, and by granting it more funding, the spread of infectious diseases can be reduced. The effects will likely be short term, though, because humans will always be susceptible to infection. New diseases can arise, making it difficult to maintain long term good. It will also be difficult to ensure that these programs are succeeding because infectious disease is rampant in cities, particularly in slums. The high population density of cities and close living quarters make long term change a challenge, too. If one person in an area contracts an infection, many around him will contract it as well. So, controlling the spread of these diseases is an obstacle.

Creating a better food distribution system is imperative. Currently, malnutrition rates, especially in children, are astonishingly high for a country in Vietnam's current economy

position. As explained, the large population is having a hard time satisfying its food needs. Beyond this shortcoming, it is even harder to actually get the food to those who need it most. Most malnourished children and adults live in slums, where public health programs fall to the waist side. Even if programs were to put in place to give food directly to those living in these areas, it would be difficult to regulate. Therefore, ensuring that the children actually get the food they need is a near impossible task, which is why food distribution is such an issue. However, by setting up food distribution sites in the areas with the greatest need, the likelihood of these malnourished children receiving the food greatly increases. If these better food distribution programs are implemented, one will see a great decrease in rates of malnourishment, stunting, and wasting rather quickly. However, the likelihood of these programs doing all the good they set out to do is low.

#### WHAT THE GOVERNMENT IS DOING TO OVERCOME THESE CONSEQUENCES

Although as a whole, the efforts taken by the government to overcome the negative side effects of its country's economic success have been met with limited success in some areas and greater levels of success in others. The areas where the country has experienced the highest degree of success revolves around the agricultural sector. The SRI advances have enabled Vietnam to significantly increase their rice cultivation, without harming the environment. The second most successful area relates to population. The actions taken by the National Committee on Family Planning have reduced birth rates quite a bit. Still, because of population momentum, the positive effects of the reduction will not be visibly apparent for some time. Also, while reducing the population size reduces the strain on agricultural output, it negatively impacts the aging Vietnamese population because it means there will be fewer young people to care for the elderly. Finally, little to no success has been experienced with regard to the environment and

social welfare. In Vietnam, as in nearly all countries, the environment is being ravaged. Little has been done to successfully reduce logging and slash and burn practices, aquaculture pollutes the water supply, and CO2 emissions are still on the rise. Also, malnutrition continues to be a prominent issue that can really only be ameliorated by more effective modes of food production and distribution.

### *NATIONAL POLICIES*

#### **The best national policies for the Vietnamese people**

Currently, there exist a few key government policies that have been of great benefit to the Vietnamese people. This section addresses some of the most influential national policies that are helping to mold a brighter future for Vietnam.

Since the establishment of the Socialist Republic of Vietnam in 1975, the most visible population policy has been slightly concerned less with sheer population growth, and more with population redistribution. The migration of workers from the agrarian, rural sector to the industrial realm is incurring serious implications; the presumed economic benefit of relocating to cities from the countryside continues to be a problem. In an attempt to counter the great disparities in this population shift and density, the government has tried resettling millions in more lightly populated parts of the country referred to as “new economic zones” (Banister, 31). There are quite a few more policies in place to alleviate issues related to population growth, food, and the environment; the following are but a few of the many effective policies that have been implemented. As mentioned above, The National Committee on Family Planning has been helping to decrease birth rates in Vietnam. Though it is a rather extreme policy, it has been highly effective (<http://www.country-data.com/cgi-bin/query/r14647.html>). In terms of food-related policies, government support of the System of Rice Intensification (SRI) has led to a

much greater usage of agricultural intensification techniques. These techniques, in turn, have been able to increase food production and have been much more environmentally sound than extensification methods.

Some of the largest arrays of international and domestic policies have been environmental in nature. The National Environmental Agency, which is a branch of the Ministry of Science, Technology, and Environment, takes responsibility for most of the environmental issues in Vietnam; it also makes most of the policies concerning the environment. In terms of climate change and increased CO<sub>2</sub> emissions, Vietnam has helped ratify the Montreal Protocol and its Amendments, along with the UN Framework Convention on Climate Change. To protect biodiversity, the Vietnamese government put in place the Mining Law (1996) and began preparing a National Action Plan to protect biodiversity. Regarding waste control, the government “supports the establishment and improvement of local, national, sub regional and regional, as necessary, regulatory and monitoring programs to control effluent discharge” (<http://www.un.org/esa/earthsummit/vietn-cp.htm#chap11>). Presently, few sewage effluent guidelines and water quality criteria are in use. There are also currently 18 forest farming projects designed to stifle deforestation.

In all, these international and domestic policies have helped ameliorate population, food, and environment issues. Though the overarching nexus issues have not been wholly amended, certain aspects of these problems have significantly improved.

### **Food, Agricultural, and Environmental Policies**

To amend shortcomings in the agricultural sector, property rights reform, privatization, and price and fiscal reform are important. Property rights refer to the right of an individual to use a resource. Though they will not own the land themselves, those that work on the land will take a

vested interest in their food production from that land because they are granted use of the land (Szelényi, 155). Creating this vested interest in food production will lead those that work the land to take better care of the land. If someone has the right to use the land as much as he wants, he will likely use more soil friendly means to preserve nutrients and prevent groundwater run off. If an individual is going to use the land multiple times, he will also probably use intensification methods instead of extensification processes, so as to preserve the land.

Greater privatization of land in Vietnam will also be beneficial. By reallocating rights from the public and state sector to private firms and enterprises, individuals working the land will have more rights to protect them from state manipulation of their rights (Szelényi, 155). As Vietnam has shifted its agricultural sector from a collectivized system to a more privatized one, individual incomes have increased, fostering greater economic stability. Price and fiscal reform has been beneficial as well because it has induced “sweeping liberalization of prices removed from virtually all state controls and fiscal reform to consolidate stabilization” (Szelényi, 155). By restructuring this aspect of the public work sector, productivity in Vietnam will be greatly enhanced.

By implementing these changes in the agricultural sector, Vietnam’s agricultural productivity will increase. Once again, the national GDP and individual citizens’ incomes will grow as well. These changes are feasible, and in some cases, have already begun to be implemented. The positive effects of these changes will cause immediate benefits in the lives of workers that will have lasting effects. These are policy changes, so these changes will affect the workers of future generations. Thus, these three methods of increasing agricultural productivity will be beneficial in the short and long term.

Also regarding food, it is important that the government prohibit the sale of food dishes made from endangered species. This phenomenon seems incredulous, but it is a serious issue. As a sign of wealth, many people dine at endangered species-centric restaurants where they can pay to eat an endangered animal. Obviously, this trend is harming the endangered animals, and threatens them with extinction. Also, in harvesting these animals for the restaurant, hunters often destroy the creatures' habitats, stifling biodiversity. Many of the large-scale effects of this practice have yet to be seen. The immediate negative effects, however, are sufficient for extreme policy implementation to take place. By banning this practice, and by showing people the terrible lasting effects of their actions, the government can put an end to the sale of endangered species food items. However, the government *must* make it clear that these practices could have larger dire effects on the environment. If not, people will not have the incentive to change, and this phenomenon will continue. Because this trend is recent, and will hopefully be short lived, the problems alleviated will be in the short term. However, if species can be preserved through the amendment of this practice, the effects will also be longstanding.

Vietnam must continue to shift from extensification to intensification practices. Not only will this change positively impact the environment, and lead to greater, more efficient food production, it will lead more farmers to remain in the agriculture sector; it will reduce the rural to urban migration. The government should give incentives for involvement in endeavors like the SRI. By giving farmers financial incentives to stay on their farms, the government can decrease the flood of civilians from the rural sector into cities. Once these farmers realize how much money they can earn by staying where they are, this dramatic population shift can stabilize. By giving these incentives, and decreasing extensification measures, CO<sub>2</sub> emissions will likely decrease. Also, by decreasing the population density in cities, civilians still living in the city

(especially children) will likely gain greater access to food and live in healthier conditions. As people move back to the farms, they too will benefit with greater incomes and a healthier living environment. This change is feasible and relatively simple to promote. Thus, pursuing intensification instead of extensification methods will have lasting, long-term effects on the environment, and will also stabilize population distribution.

To conclude, a number of reform policies will have to be put in place to ensure that actions taken will not devastate the environment. These proposals are feasible, and in some cases, have already begun to be implemented. Most of these endeavors will allow for long-term change, and will be imperative to fostering stability in Vietnam in the present and future.

### **Can any other economic changes be made to further benefit Vietnam?**

Vietnam must open up even more to trade. As it has embodied, openness to foreign markets and embracing free trade can lead to huge spurts of economic growth. By becoming even more involved in trade, especially with China, Vietnam can economically prosper all the more. Currently, Vietnam is somewhat at odds with China. Vietnam strives to establish its own cultural identity, distinct from China's, and feels that heavy reliance on China will detract from this formation. This notion is conflicting, though. Vietnam's trade with China has been the main reason for its rapid economic growth. If Vietnam spurns trade with China, it will not achieve optimal growth. However, if Vietnam overcomes its fear and embraces trade with China, it will grow even faster, allowing it to break from China sooner than if it was to isolate itself from trade with China. Becoming more open to trade is a change produced in the short term that will have long lasting effects.

In making the system more open to foreign and regional markets, Vietnam can successfully help its economy to grow. However, with their growth comes some slight danger exacerbation



of the current issues plaguing Vietnam. First and foremost, more trade will lead to more production in the industrial sector; greater industry leads to greater greenhouse gas emissions. Also, with greater economic growth comes greater income growth for the country's citizens. In turn, increases in income often lead to dietary changes, like increased meat and vegetable consumption, which can harm the environment. Finally, increased incomes could lead to a shift in personal automobile ownership. Invariably, a greater amount of cars means more pollution. So, while greater openness to trade will help to push the economy even further, it could actually have inverse effects on Vietnam's environment.

Vietnam should invite even more entrepreneurship. As seen in its economic model counterpart China, the first steps towards rapid and lasting economic development come from opening up to foreign trade and investment through a more market based economic system. The next step: entrepreneurship. By fostering the growth of small businesses, Vietnam will expand its economy, allowing its citizens to play an even larger role. As entrepreneurship grows, the government does not have to emphasize rapid industrialization as much, which is often harmful to the environment and harmful to workers' health. Instead, by promoting more microeconomic policies, like granting small loans to help an individual start a small company, the country invests from within. By emphasizing this type of inward-looking domestic business shift, Vietnam will take a vested interest in its citizens' businesses, making the effects of such microeconomic programs lasting. These changes will likely be long term because the underpinnings of entrepreneurship tend to directly oppose Communism. However, if implemented, Vietnam will see expansion in the country's labor sector, greater income growth for the Vietnamese people, and alleviated inequality in the country's GDP. The likelihood of these outcomes occurring is high if entrepreneurship comes to fruition. However, to reiterate,

establishing private entrepreneurship in a Communist society is difficult, and takes time. If Vietnam succeeds, both the country's GDP and individual's income will positively reflect the change.

## OBSTACLES TO FURTHER SUCCESS

### **Must Vietnam forsake its communist structure to thrive?**

So, can Vietnam become a viable player in the world economy if it continues to uphold its communist roots? To reiterate, the greatest strength of the government has come from its shift to a more market based economy. Vietnam's greatest weakness, however, does appear to be its Communist political system.

To delve further into the role that Communism plays in the prosperity of countries like Vietnam and China, it is important to look at the Communist countries that have embraced more liberal economic policies, and those that have not. Like Vietnam and China, North Korea and Cuba refuse to give up their communist roots. However, North Korea and Cuba are really the only Communist countries that remain alarmingly politically and economically backward. As was explained earlier, this backwardness stems from the leaders' fears that a more capitalist economy will lead to political change that will threaten each leader's power.

On the surface, it seems that unless Vietnam abandons its classical Communist structure, it would be impossible for the country to reach its full economic potential. The Socialist Republic of Vietnam has only rather recently begun its path towards economic liberalization. In 2007, Vietnam became the 150th member of the World Trade Organization, making its entrance in the global economy. Vietnam's overall economic freedom is limited by many important institutional factors. Its regulatory environment is not completely efficient. Its non-transparent bureaucracy and unreliable legal system are still harming its investments. Forty percent of its

GDP still comes from its state-owned enterprises, which would not be a problem if these enterprises also invited entrepreneurship. Additionally, Vietnam's widespread corruption is weakening its judiciary, which affects its trade relations with other nations (2010 Index of Economic Freedom). Vietnam must become more politically stable and foster a free-market economy so that it can shift from a developing country to a more developed one. However, a dramatic shift will not occur overnight. Communism has been the cornerstone of Vietnam for half a century, and will likely take just as long or longer to change. Transforming its political system requires long-term policy change, but it will be well worth the wait. Once Vietnam relinquishes its Communist structure, the likelihood of reducing and solving problems in the country will increase almost exponentially. Economically, the sky will be the limit.

On the other hand, the Communist Party itself may become susceptible to change, in light of the fact that many Party members work as entrepreneurs. Their personal business beliefs can start to impact their political ideology (Heberer, 321-322). Over time, and when combined with similar beliefs held by other entrepreneurs, greater political pragmatism can ensue. Additionally, entrepreneurs have the transformative potential to establish and strengthen individual responsibility and societal participation. They can help reduce direct governmental intervention in economic processes, contribute to the privatization of societal life so that state will have less say in matters of individual and family freedom, makes individuals more autonomous (which facilitates pluralism), and finally spread the view that a strengthened legal system must be established to meet the needs of increased privatization (Heberer, 323).

To its benefit, Vietnam adopted the economic system of the Chinese into its Communist system, enabling it to reconcile its less beneficial political structure with the globalization integral to economic growth in the 21<sup>st</sup> century. By compensating for its hindering Communist

government with its transformed economic system, Vietnam has been able to grow in spite of its rather backward politics (Nico, Spoor, and Qu, 195-202). Still, as János Kornai explains: “There can be no comprehensive and consistently radical transformation in other spheres while the key feature of the old classical structure, the Communist Party’s power, remains” (Szelényi, 151). By Szelényi’s standards, Vietnam can only develop so much within the context of its Communist political system. Until Vietnam disbands its Communist political roots, the country will remain a developing country. The problem herein lies with some government officials’ staunch allegiance to Communism. If these officials understand their prosperity to be the result of Communist measures, and fail to recognize it has only been through their integration of a more capitalistic style of economics that their country has prospered, the country is doomed. However, if they clearly recognize that they owe all their prosperity to their free economic policies, it is possible for Vietnam to carry on its Communist tradition. Thomas Heberer takes this position, and includes China in his comment about the possibility for prosperity in these Communist countries when he writes, “In both countries it became apparent that the transition from a planned to a state-influenced market economy under the control of the communist party is possible, and without simultaneous economic decline” (Heberer, 1).

Albeit the notion that Communism hinders Vietnam is a more American view, it is not entirely culturally bound, nor is it exclusively rooted in Western ideology. In most single party dictatorships, while the political system might not be detrimental to a country’s growth, it does not help that country either. To take an example that is typically used to argue on behalf of economic change followed by democratization, but use to show how Communism is not advantageous, in countries like South Korea and Taiwan, strong economies were forged prior to democracy. Similar to the situation in Vietnam, where government officials’ responded to the

masses' "fence breaking" by integrating this strategy into their economic model, in South Korea and Taiwan government officials decided to listen to the needs of their people, and they accepted their demands for freedom. Because the citizens of South Korea and Taiwan refused to be undercut by the government any longer, and the citizens' government officials listened to their pleas, democracy was implemented (Dr. Liddle).

In South Korea and Taiwan, democracy emerged because of the people's desire for more freedom combined with the political leaders' willingness to act on the people's behalf. Though a complete political overhaul did not coincide with the countries' economic progress, it did directly follow, and rightly so. Completely changing a country's economy and government system simultaneously would present a great challenge; there would be too much to reconstruct at once. So, it appears that countries can experience high levels of economic prosperity while under the rule of single party dictatorships, but the people do not experience the freedom they yearn for until their countries undergo democratization. Once again, government leaders must become responsive to their people's needs in order for change to occur, and such responsiveness is not historically typical of Socialist Regimes. It is this lack of responsiveness that becomes the real problem, not necessarily the presence of a Communist political system.

While it might not seem wholly necessary for Vietnam to abandon communism to move forward, it is clear that ending Communist rule can only help the country. Economic change can only impact an area that needs improvement, like social welfare, so much. As a few of my own family members experienced during a recent visit back to Vietnam, the social instability that goes hand in hand with Communism is a real problem. While on their trip, they heard horror stories from their Vietnamese relatives about being removed from their homes without warrants, eviction notices, or any kind of lawful explanation. According to the government, every

property in Vietnam belongs to the government. So, if the government decides that it needs your land for whatever reason, it can take it without warning. This is the ugly side of Communism. Though it is rare for such an extreme event to occur, (my cousin and aunt did make it clear that in most of Vietnam, Communism is not enforced to this degree; it is mainly in the rural areas with a highly uneducated population that property seizure is still enforced) that it can still happen on any level is telling. Even with all the gains that are being made in the country, the people will not be able to fully experience prosperity unless they attain a higher standard of freedom. By following its brother country, China, and simply integrating various capitalistic strategies into its government policies, Vietnam can continue to thrive. Still, a complete overhaul of Vietnam's Communist political structure would allow the Vietnamese people as a whole to flourish, and not just the more elite government officials and business people. If Vietnam does not get rid of Communism, it will continue to thrive economically, to be sure. But if Vietnam completely gets rid of Communism, the Vietnamese people will finally have access to the quality of life they deserve.

## **CONCLUSION**

By delving into the causes that led up to Vietnam's current economic status, one can better understand how the Vietnamese people have since come to experience an increased quality of life. Vietnam has endured a tumultuous history with China that accounts for their persistent love-hate relationship. As China's friend and foe, Vietnam has developed an identity that is very much its own, while also integrating many high points of Chinese culture to its benefit. Vietnam chose to follow in China's footsteps by opening itself to trade and privatization; it did not fall prey to poor, egomaniacal leadership like Communist North Korea. Adopting China's economic model has enabled the Vietnamese to dramatically transform their economy from that of a

country devastated by the aftermath of war, to that of a small, but rising player in the international market. Another key factor in Vietnam's development comes from its ability to balance a Communist political structure with its transformative open market policies. Vietnam demonstrates that while it has the potential to surpass its third world status, it is questionable whether it can do so under the country's current political structure.

As the new policies show, it is within Vietnam's grasp to become a force to be reckoned with; in less than thirty years, Vietnam has gone from a dying country, to a model one. Vietnam has potential. Instead of being pushed to the back burner as a third world country and China's little brother, it can surpass its current status and carve out a space for itself as a more prominent member of the international community.

A pivotal goal of my research was to see how Vietnam's economic spike has impacted the welfare of the Vietnamese people. In light of the country's Communist foundations, I also wanted to see if the nation's economic strides have been appropriately reflected in the population, or if the head of state and other authorities predominantly absorbed these financial boons. On one level, as a result of the country's recent economic gains, the Vietnamese people have managed to secure more profitable jobs, gained the financial means to move from poor, rural areas to more promising industrial areas, they have increased their buying power, they can afford more luxury items, and they can engage in entrepreneurship; they can also afford to eat more costly food items. On another level, the economic increase has led to a larger population, which in turn gives rise to increased agricultural output needs, the likes of which lead to environmental devastation from extensification methods and climbing CO2 emissions. Thus, along with the many benefits that have come from a stronger economy, new problems have

arisen as well. If Vietnam is to become a serious participant in the world market, it must respond to these issues in a more socially conscious way.

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## APPENDIX

**Timeline: Economic History of Vietnam at a Glance**

*Pre-1954 .....Agricultural and merchant economy*

*1954-1975 .....Communist economy in North, capitalist in South*

*1976-1980 .....Unified Communist economy: extremely high goals set*

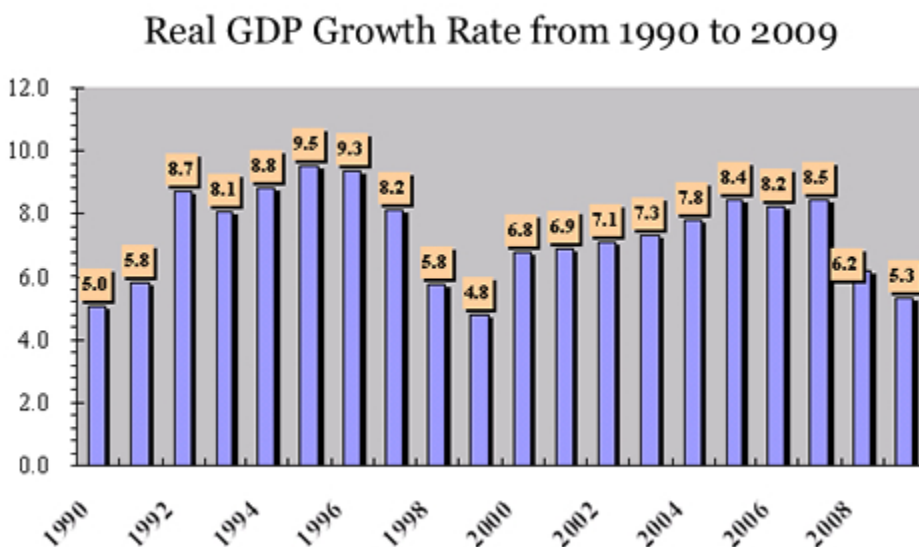
*1981-1985 .....Temporary retention of private capitalist activities*

*1986-2000 .....Transition to a market based economy*

*2000-present .....Bilateral Trade Agreement between U.S. and Vietnam*

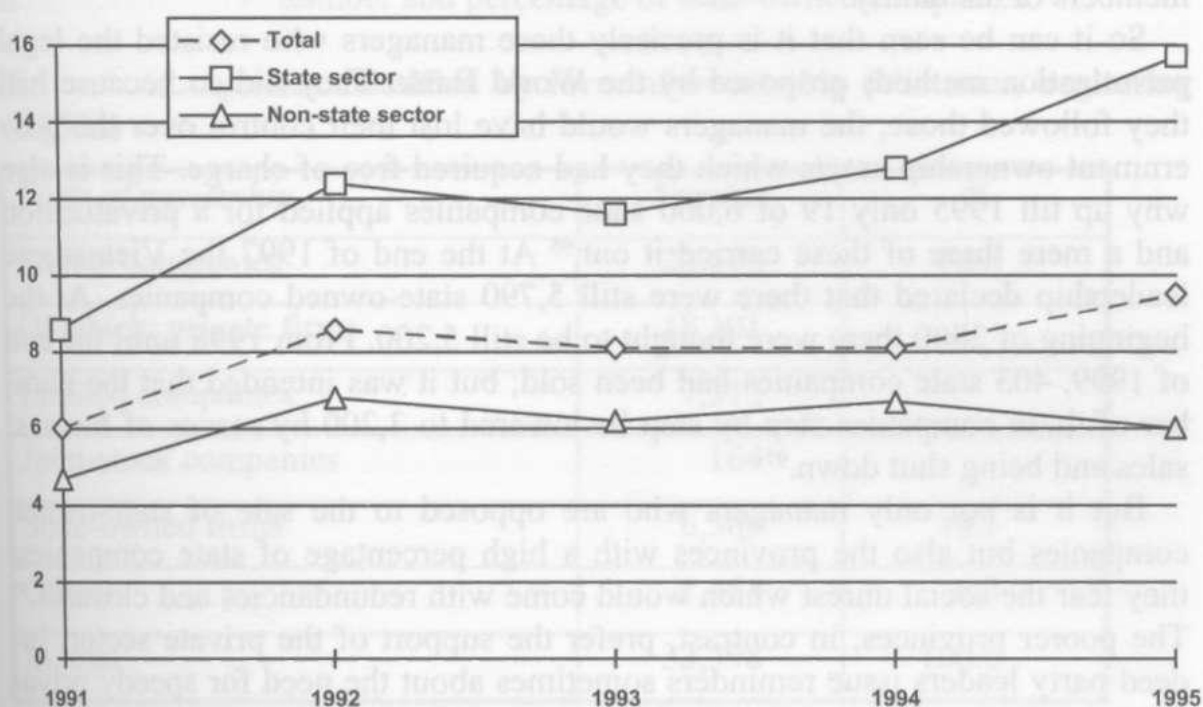
*2007-present .....Vietnam joins the World Trade Organization*

**Figure 1:** This timeline presents the major economic transition periods in Vietnam. The periods above were included because they have contributed most to Vietnam's present economic state. Source: Timeline personally constructed.



**Figure 2:** Diagram of Real GDP Growth Rate. In this graph, one can visualize Vietnam's GDP growth rate from 1990 to 2009. Source: (<http://www.jica.go.jp/english/news/press/2010/110124.html>).

**Diagram 9: Growth rate of the gross output in Vietnam (in %)**



Source: General Statistical Office 1996: 40.

**Figure 3:** Diagram of the Growth Rate of the Gross Output in Vietnam. This diagram shows a substantial growth increase between 1990 and 1995. In total, the gross output rose by approximately 8.1% each year. The non-state sector grew by 6.1% during the same period, and the state sector shows the most dramatic growth increase, nearly doubling its growth rate. Source: (Heberer, 37).

**Table 6: Development of private companies (1993-96, Vietnam)**

	<i>Private companies</i>		<i>Private firms</i>	<i>Limited Liability Comp.</i>	<i>Joint-stock</i>
1991	123	of which:	76	44	3
1992	4,474	of which:	3,115	1,167	65
1993	12,748	of which:	9,344	3,287	117
1994	19,025	of which:	13,772	5,120	133
7/1995	22,438	of which:	16,064	6,226	148
1996	30,090	of which:	ca.21,000	8,900	190

Sources: Nguyen Dinh Phan 1996: 7; Nguyen/Nguyen 1996: 13; Dang Duc Dam 1997: 176;  
*Vietnam Economic Times*, February 1998: 14; Nguyen Duc Vinh 1999: 16/17.

**Figure 4:** Table Showing the Development of Private Companies in Vietnam. In this Table, one can see the dramatic increase in the number of private companies, private firms, limited liability companies, and joint-stock companies from 1991 to 1996. Source: (Heberer, 40).

**Table 7: Employees in the private sector (1991-94, Vietnam)**

	<i>all private companies</i>	<i>of which in private firms</i>	<i>in limited liability companies</i>	<i>in joint-stock</i>
1991	10,683	2,160	6,511	1,967
1992	113,156	29,411	74,753	6,992
1993	228,393	65,687	153,525	9,181
1994	299,540	84,261	202,668	12,611

Source: Dang Duc Dam 1997: 177.

**Figure 5:** Table Depicting the Number of Employees in the Vietnamese Private Sector from 1991 to 1996. In each area, steep increases occurred in a very short period of time.. Source: (Heberer, 41).

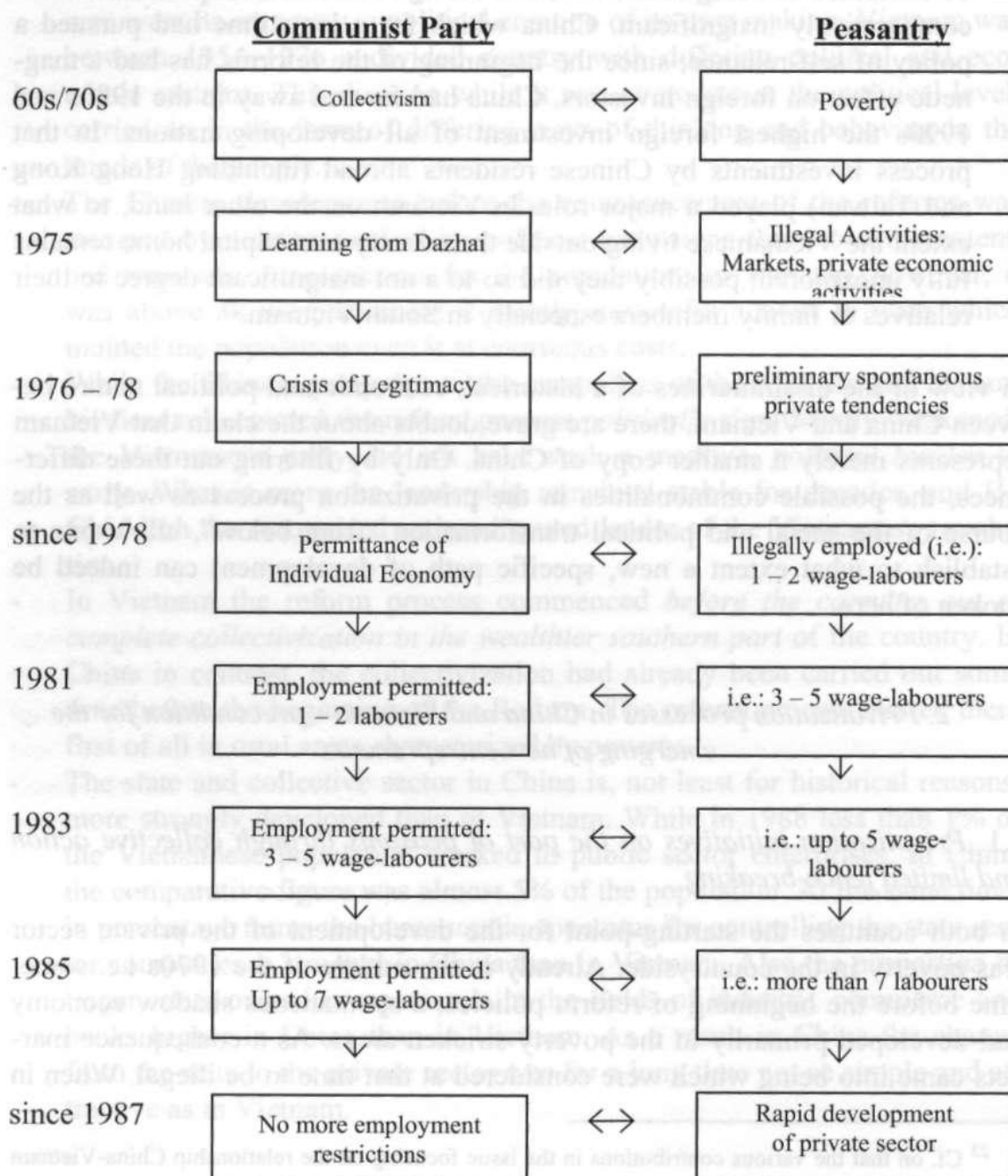
## VIETNAM'S TRADE WITH ASEAN

<i>Exports</i>	<i>1990 (US\$ Millions)</i>	<i>1994 (US\$ Millions)</i>
<i>Exports to ASEAN</i>	<i>323.4</i>	<i>794.8</i>
<i>ASEAN's Share of Vietnam's Exports (%)</i>	<i>13.4</i>	<i>19.6</i>
<hr/>		
<i>Imports</i>	<i>1990 (US\$ Millions)</i>	<i>1994 (US\$ Millions)</i>
<i>Imports to ASEAN</i>	<i>528.2</i>	<i>1,568.8</i>
<i>ASEAN's Share of Vietnam's imports (%)</i>	<i>19.2</i>	<i>27.0</i>

*sources: General Statistical Office of Socialist Republic of Vietnam and ASEAN Secretariat*

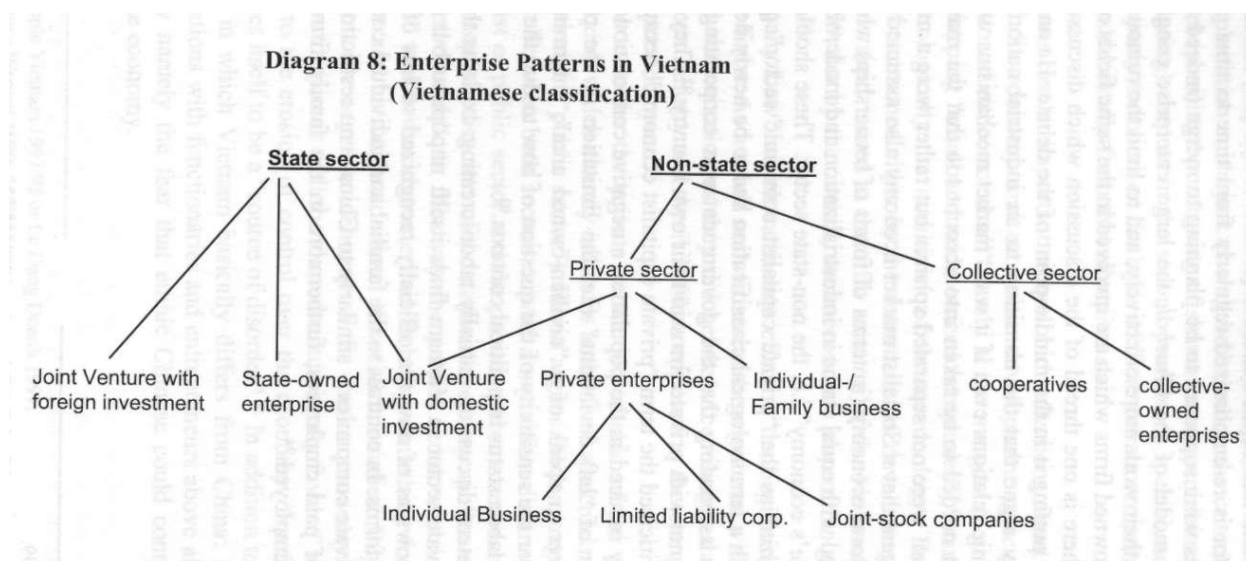
**Figure 6:** Vietnam's Trade with ASEAN. This table shows the increase in imports and exports in Vietnam from 1990 to 1994 Source: (<http://www.aseansec.org/10098.htm>).

**Diagram 1: Deviation becomes politics – the case of the private sector (China)**



**Figure 7: Diagram of How Deviation becomes Politics.** This diagram shows how the private sector became established in China. Vietnam followed a highly similar model. Source: (Heberer, 12).

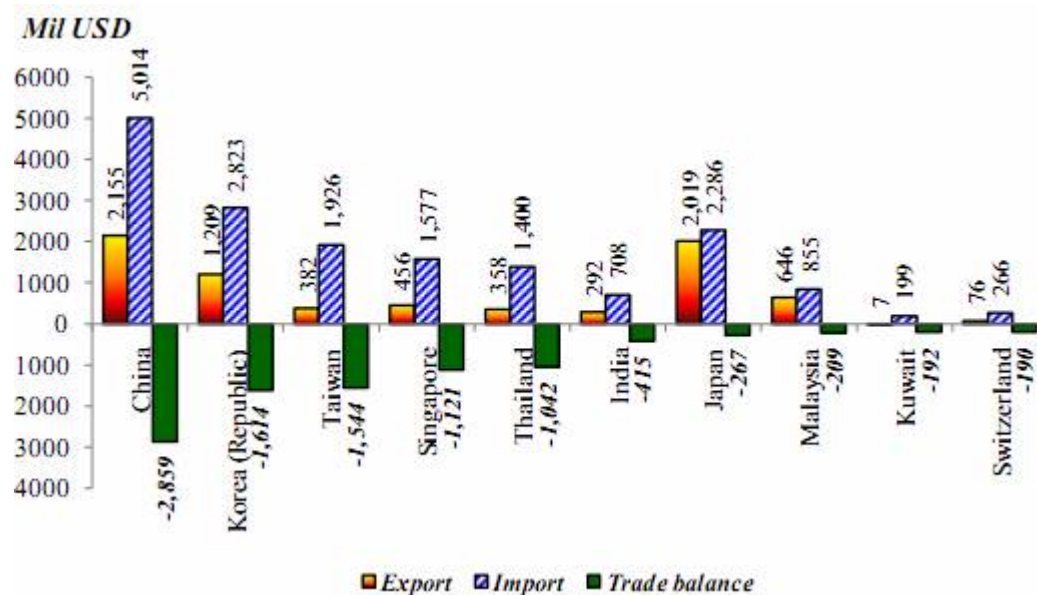




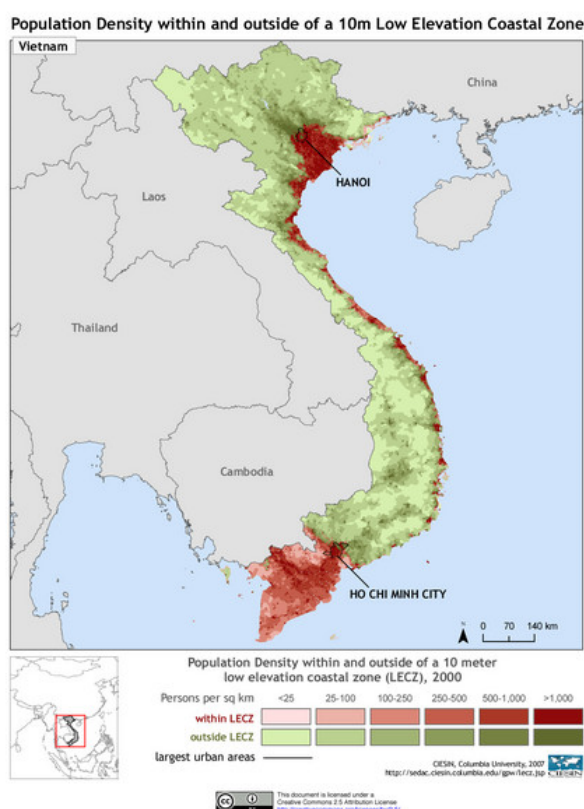
**Figure 8:** Diagram of Enterprise Patterns in Vietnam. Here, one can see the distinct economic sectors in Vietnam. Source: (Heberer, 36).



**Figure 9:** ASEAN Map. The flags on this map represent each of the ten member states of ASEAN, the association of Southeast Asian Nations. Source: (<http://www.aseansec.org/69.htm>).

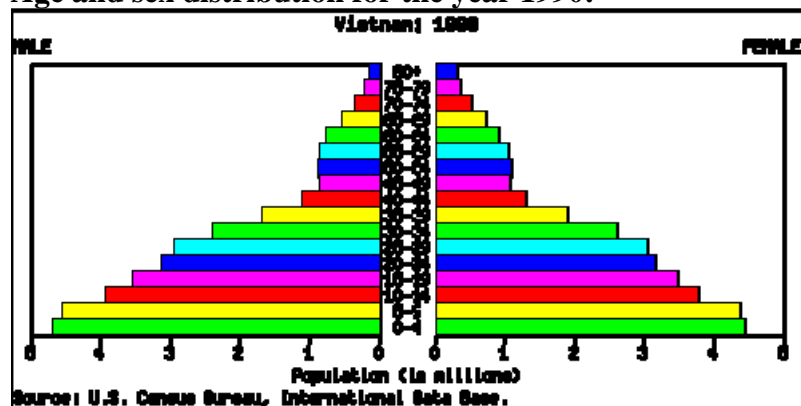


**Figure 10:** Vietnam's Leading Trade Partners. This chart shows the countries that are Vietnam's leading import and export partners, as well as the trade balance of each of these countries. Source: (<http://www.customs.gov.vn/English/Lists/News/Print.aspx?ID=67>).



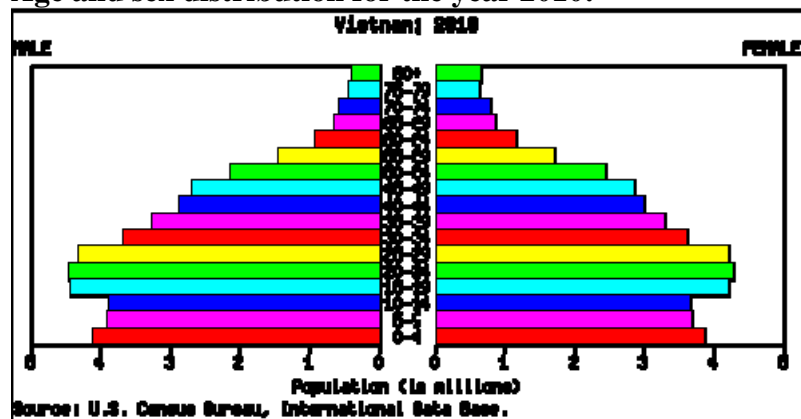
**Figure 11:** This is the population density map of Vietnam. It shows that the most densely populated areas are major cities and coastal areas. Source: (<http://mappery.com/Vietnam-10m-LECZ-and-Population-Density-Map>)

### Age and sex distribution for the year 1990:



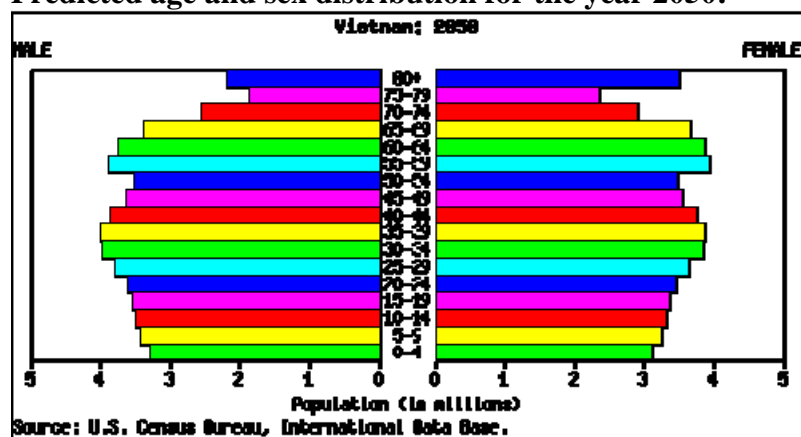
*Figure 12: This age-sex profile graph represents Vietnam's population growth and population distribution for the year 1990. Source: ([http://www.nationmaster.com/country/vm/Age\\_distribution](http://www.nationmaster.com/country/vm/Age_distribution))*

### Age and sex distribution for the year 2010:



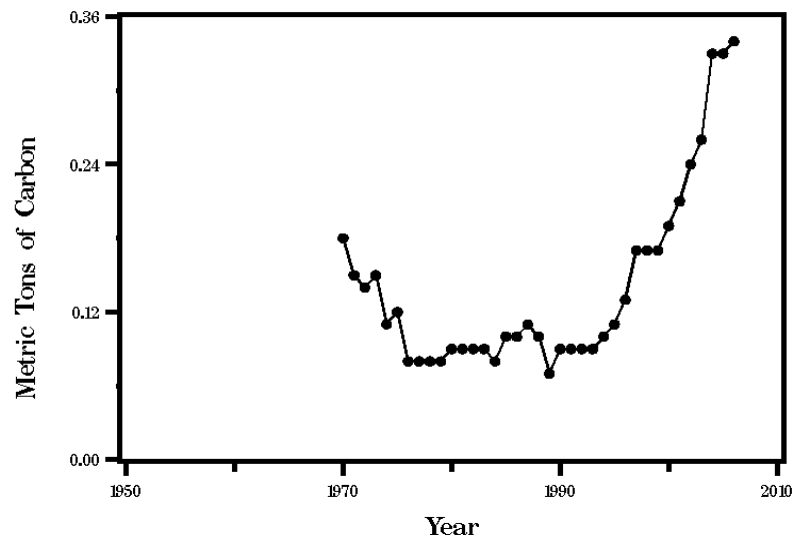
*Figure 13: This age-sex profile graph represents Vietnam's population growth and population distribution for the year 2010. Source: ([http://www.nationmaster.com/country/vm/Age\\_distribution](http://www.nationmaster.com/country/vm/Age_distribution))*

### Predicted age and sex distribution for the year 2050:



*Figure 14: This age-sex profile graph represents Vietnam's projected population growth and population distribution for the year 2050. Source: ([http://www.nationmaster.com/country/vm/Age\\_distribution](http://www.nationmaster.com/country/vm/Age_distribution))*

### Per capita CO2 Emission Estimates for Vietnam



**Figure 15:** This graph represents the amount of per capita CO2 emissions from Vietnam since 1970. The most important part to focus on, however, is the vast increase that occurred from 1975 to the present. Source: (<http://cdiac.ornl.gov/trends/emis/vie.html>.)

### Photo: Typical homes in Hanoi



Most of the houses in Hanoi were tall and long, with no windows on the sides. This was originally to prevent paying too much property tax.

**Photo: Ha Long Bay**



*In this photo, one can see the beautiful Ha Long Bay in Vietnam. The bay is a UNESCO World Heritage Site, located in Ha long City*



**Photo: My cousin Michael and a college graduation ceremony in Vietnam**



*In the background of this photo, a graduation ceremony is commencing; how fitting!*

**Photo: Reunification Palace**



*Photo of my family members in Vietnam, including my cousins Yin Gibas, Andrew Gibas, Sarah Flores and her husband, Michael. They are at the former capital of the Southern Vietnam regime, now called as the Reunification Palace.*



**Photo: Extremely poor Vietnamese children**



*Poor children living in the poorest area of Vietnam, the rural countryside.*

**Photo: Old women in the streets of Vietnam**



*This photo shows an example of the aging population in Vietnam. Because of the large number of aging citizens, many must work beyond what their bodies should allow.*



**Photo: Site of Ho Chi Minh's remains**



*Ho Chi Minh wanted his body cremated and spread throughout the country. Instead, his supporters preserved his body and hid it until the end of the war. According to my cousins' tour guide, the reasons were twofold: the Vietnamese do not usually cremate their dead and they held great respect for the man.*